



**CHINESE MILITARY, ECONOMIC, AND POLITICAL
REFORM: SURVEY AND CHRONOLOGY,
MAY 1, 1984 - JUNE 30, 1985**

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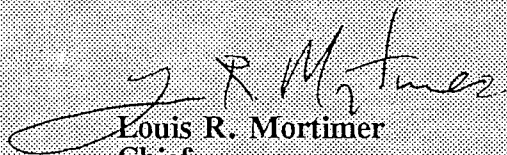
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PREFACE

This is a selective compilation on China's major military and military economic reforms as reported between 1 May 1984 and 30 June 1985. The study is based on a variety of sources, including Chinese, US, and other foreign newspapers, periodicals, and wire services, and articles from books and journals on Chinese history, economy, and military.

Entries are listed chronologically under the objectives of Chinese economic, government, military, and party reforms with subobjectives for agriculture, bureaucracy, decentralization, industry, law, leadership, management, modernization, organization, price reform, professionalization, science and technology, tax, and urban reforms.

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SUMMARY

Military and military economic reforms are being carried out throughout China, with military reform and economic construction working together for mutual benefit. Although military modernization has been assigned the lowest priority of the Four Modernizations--agriculture, industry, science and technology, and national defense--in the past 6 years there have been significant achievements in this field with minimum expenditure. Military organization is being streamlined, the education and technical competency of the soldiers and officers are improving, as are weaponry and equipment. The People's Liberation Army is actively participating in China's economic construction by making contributions to the modernization of industry and science and technology, increasing civilian production, and improving civil-military relations. Because Chinese leaders have indicated that military and military economic reforms are essential for the development of a modern Chinese army, despite some opposition, the reforms will continue.

1. SURVEY OF CHINESE MILITARY AND MILITARY ECONOMIC REFORMS

a. Introduction

China's post-Mao reform program, initiated by Deng Xiaoping and his senior colleagues, was launched in December 1978, when Deng delivered his keynote speech--"Emancipate the Mind, Seek Truth from Facts and Unite as One in Looking to the Future"--at the closing session of the Central Working Committee preparatory to the 3d Plenary Session of the 11th Central Committee of the Chinese Communist Party (CCP).

Deng, paramount leader and architect of China's economic reform policy, has relinquished all offices except membership on the Standing Committee of the CCP Political Bureau, chairmanship of the State and Party Central Military Commissions, and chairmanship of the party's Central Advisory Commission, a body created for retired senior cadres. Deng's policies are carried out on a day-to-day basis by Premier of the State Council and Politburo member Zhao Ziyang and CCP General Secretary and Politburo member Hu Yaobang. Zhao's close associate Wan Li, the senior Vice Premier and Politburo member, also has been very active in planning and implementing rural economic reform.

Several younger leaders are being groomed as a "3d echelon" to carry on the reform policy after Zhao Ziyang and Hu Yaobang. Among these is Hu Qili, Secretary of the CCP Secretariat (since 1982), and a possible future candidate for CCP General Secretary. He drafted the "Decision on Reform of the Economic System," the path-breaking document on urban economic reform approved by the CCP Central Committee at the 3d Plenary Session of the 12th Central Committee on 20 October 1984, and is believed to have control over party propaganda. He also has played an increasingly important part in state affairs, appearing with senior leaders at welcoming parties for prominent foreign visitors and accompanying Hu Yaobang on his tour of the South Pacific. Li Peng, one of the junior vice premiers since 1983, is sometimes mentioned as a potential successor to Premier Zhao Ziyang. He also is a reform-minded leader and supports economic incentives to modernize the Chinese economy. Tian Jiyun, another vice premier and prominently mentioned potential leader, is credited as the principal contributor to the section on price reform in the "Decision." Another "3d echelon" leader, Wang Zhaoguo, CCP General Office Director since May 1984, reorganized China's largest automotive plants and tripled the company's revenue by setting up an aggressive sales force and upgrading services. All of these younger leaders are mentioned as possible successors to Zhao Ziyang and Hu Yaobang in carrying out the reform policy.

By means of its reform programs, China hopes to learn from foreign countries and draw on their experience without mechanically copying and applying foreign experience and models. The leadership hopes that the Chinese will be able to carry out economic reforms without excessive foreign assistance and make them fit specific Chinese needs.

China's current economic reforms began in the rural areas. A series of reforms centering on the contracted household responsibility system introduced in rural areas since 1979 has been deemed successful. Free markets

and private plots have expanded, with the government encouraging peasants to grow crops most suited to their regions.

Success in rural reforms has given Chinese leaders the confidence to expand the reforms to the cities. In urban reform, the Chinese leadership gives first consideration to reforming the management system, passing decisionmaking power to the enterprises and plants and gearing production in accordance with market demands. Steps also are being taken to restructure the building industry and the systems of commerce, foreign trade, and finance and planning, and to further develop diverse economic forms and methods of business operation. In 1984, China began implementing price reform--the State retains control of prices for essential goods, but prices for a number of consumer products are allowed to float. Beginning in 1980, China opened Special Economic Zones as means of encouraging foreign investment and joint ventures, and acquiring scientific, technological and management expertise from abroad.

As a continuation of urban and rural economic reform, the CCP Central Committee's 13 March 1985 decision set out guidelines for reform of the science and technology management system, calling for market production and changes in organizational structure, funding systems, and the make-up of research, education, and design institutions. The military and civilian departments in enterprises will be combined in order to transform research and design achievements into better production. China also is opening its door to the outside world and establishing contact with other countries to promote its long-term development policy on science and technology.

China is carrying out its reform one step at a time, starting with easy problems and then attacking more difficult tasks in order to insure smooth progress. Mistakes from the past are corrected and new problems are faced as they occur. As a result of the economic reform, China's economic situation in 1984 reportedly was the best since the founding of the People's Republic in 1949. Gross output rose from US\$323 billion in 1983 to US\$373 in 1984, an annual growth rate of 6.6 percent.* Since 1980, China's per capita income has increased at the annual rate of 10.6 percent in rural areas and 6.5 percent in urban areas. Present annual per capita income is US\$125 in rural areas and US\$213 in urban areas.¹

b. Major Military Reforms

Since the 3d Plenary Session of the 11th CCP Central Committee, and especially since Deng Xiaoping took charge of the Military Commission in 1981, China has exerted great effort to develop a Chinese-style modernized armed forces. The Chinese Army is well trained, highly motivated, and politically indoctrinated, but equipped with inadequate weapons. Although its Army, with

*This is figured at the present exchange rate of US\$1 = 2.85 RMB, although the exchange rate has changed greatly since 1983.

an estimated 4.2 million personnel, remains the world's largest, China's military technology remains about 20 to 30 years behind that of the West. At a June 1985 enlarged meeting of the Central Military Commission, Deng Xiaoping called for the PLA to reduce its numbers by 1 million in the next 2 years. To modernize fully even a portion of the Chinese Army would cost \$300 billion through 1985.² Because China has a very tight budget, defense modernization is very much dependent on the success of the other three modernizations. Nevertheless, in the past 6 years, there have been significant changes in China's military system. The reforms touch nearly every aspect of the military and include changes in its size, organization, strategy, ideological orientation, and technological capabilities.³ Streamlining military organizations, improving the education and technical capabilities of soldiers, and improving weaponry are the major tasks remaining for the military reform.

(1) Military Streamlining and Organizational Reform

Chinese leaders have emphasized that the PLA is being modernized "for self-defense, not for aggression." Because China is a poor country with a large population and limited funds, it needs to cut military expenditure so that it can spend more money on economic construction. The national government has decided to reduce the quantity and improve the quality of its army and to make the ranks of cadres "more revolutionary, younger in average age, better educated, and more professionally competent." To produce a more efficient, combat-capable military force, the PLA has integrated various services, organized combined arms branches, cut units with essentially non-military duties and reduced the army's political role. Measures also have been taken to reduce the PLA's involvement in certain domestic functions, such as the administration of the nation's railways. Internal public security duties in major urban areas and duties as border guards, security guards for government buildings, and embassies have been taken up by the People's Armed Police (reorganized in 1983). To encourage older soldiers to retire, generous inducements are offered, such as the resettlement of demobilized soldiers, retirement at full pay, increments based on length of service, and designation of retirees as advisors to the Armed Forces. In December 1984, 40 officers at the corps level or above, most of them 60 or older, retired from the PLA General Staff. More than 80,000 veteran military officers are expected to retire in the next few years as part of a massive campaign to streamline and rejuvenate the PLA. Deng Xiaoping has set a goal that army-level officers should be around 50 years old, division officers 40, and regimental officers 30.⁴ Now the youngest army-level officer is only 34, and the youngest division leader is just 30, as efforts are being made to promote young officers to top command positions.

(2) Military Training and Education Reform

The majority of PLA soldiers are junior and senior middle school graduates. Once enlisted, these soldiers receive various types of special training, such as submarine schools, missile operators' training courses in optics, and courses in mechanics, transistors, engineering, electronics, fluid mechanics, and mechanical drawing. All naval combatant commanders and aircraft pilots and 70 percent of ground forces officers from platoon leader up are military academy graduates. Also, 50 percent of the leadership of Air Force surface-to-air missile regiments and divisions are college graduates.⁵

Over 100 military academies have been restored to train more professionally competent and better educated officers, as the PLA has announced that only those who have undergone special training at the military academies are qualified for promotion as officers. Some 127,000 officers in all branches of the services have received higher education while on active duty. There are 77,000 part-time training schools teaching military training courses and special seminars for more than two million participants, covering such subjects as languages, mathematics, chemistry, physics, computer science, and military science. Training also is offered in such civilian skills as agriculture, transport, food processing, mechanics, and driving. In 1984, about 435,000 soldiers finished their study and received cultural and technical certificates. Among them, 47,000 have received professional school certificates and 17,000 were enrolled in universities and colleges. Among the officer corps, about 0.5 million have taken part in various study courses, 192,000 have received higher education, and more than 4,600 have graduated. As a result, the educational level of the Armed Forces has greatly improved over the previous situation when the PLA officer corps consisted mainly of uneducated veterans of the civil war.

Over the past few years, the PLA has improved logistics and modern warfare training and enhanced its combined operations ability to react quickly, deal with sophisticated equipment, and survive in the field. The three services of the PLA combine tactical military training with combat simulations, especially in laser and electronic simulators. Advanced electronic technology is used for simulated naval ship control, air force flight simulators, and artillery combat simulators. Audiovisual programs, closed-circuit television, portable videotape equipment, and language labs have played an important role in improving the quality of education and shortening the period of training. The focus of training has been shifted from soldiers to officers, with emphasis on antitank, antiair, and anti-airborne warfare.

(3) Improvements in Weapons

Weapons improvement is an important aspect of military modernization. In recent years, China has developed intercontinental ballistic missiles (ICBMs), submarine-launched ballistic missiles (SLBMs), geosynchronous satellites, and the improved Type 69 main battle tanks, as well as making improvements in such areas as rocketry, fighter aircraft, computer-controlled ships, and heavy antitank missiles.⁶ Chinese small arms also are highly regarded for their quality and reasonable prices throughout the world, especially in the Third World.

China has long been in possession of strategic nuclear weapons and their delivery systems. In 1980, it launched a long-range carrier rocket to the South Pacific. This was followed in 1981 by the launching of three satellites with one rocket and by the 1982 trial-launching of a carrier rocket from a submarine.

In 1983, China established three special research committees for naval development and revealed plans to build five aircraft carriers and a dozen submarines equipped with nuclear-tipped ballistic missiles over the decade. That same year, China built its first nuclear-powered submarine

equipped with guided missiles. Naval development plans also call for the LUDA-Class missile destroyer and the JIANGNAN-Class missile frigate to be modernized and equipped with helicopters and updated missiles and electronic warfare equipment. The infantry has recently added two more small arms to its inventory. A new submachinegun is light and easy to carry with strong firepower and a high firing rate. This weapon is especially useful in reconnaissance, patrols, street fighting, and jungle warfare. A new indigenously developed automatic rifle has the accuracy of a rifle and the firing rate of a submachinegun and can be used to launch antitank grenades.

These developments, coupled with recent advances in the development of electronic communications, engineering, and antichemical facilities and equipment and the 1984 trial-launch of a communications satellite, show that China has made significant strides in the modernization of its weapons and military equipment.

c. Military Economics: The Integration of Military and Civilian Industries

China's leadership has indicated that its military modernization must be based on successful economic reform. The PLA is responding to Deng Xiaoping's urging that the Army cooperate with China's economic reforms and actively participate in the nation's economic construction by supporting the modernization of industry and science and technology; increasing civilian production; and improving civil-military relations. Defense industry-associated factories use more than 20 percent of their total capacities to manufacture products for civilian use and more than 80 percent of military factories have converted part of their production line to serve the public.

On 3 January 1985 in an interview with a reporter for China Daily, Chief of the General Staff Yang Dezhi stated that the PLA is supporting the state's modernization program by:

- ° participating in the construction of more than 1,000 national and local projects;
- ° providing a large number of facilities for civilian use and opening over 30 military airports for commercial transport purposes;
- ° participating in the construction of facilities for public welfare; and
- ° helping rural areas develop commodity production and popularize science and education.⁷

In order to increase China's port capacity, naval bases have been opened for dual military and civilian use and some turned over entirely to civilian use. In addition, the Air Force has transferred 59 airfields to civilian use to improve civil aviation. Large numbers of military aircraft, naval ships and craft, and military vehicles are used for civilian transport and rescue and relief. Military vehicles also are used for planting trees, and military aircraft are used in geological surveys and cloud seeding.

The leadership has decided to reform the structure of the defense industry from solely military purposes to civilian purposes as well. In 1984, according to statistics of 15 provinces and cities, more than 8,000 items of military technology were transferred to civilian industry, a business volume amounting to US\$151 million. Military equipment and technology is being used to develop civilian petroleum, communications and transport, chemical, electric power, coal, building material, textile, and food industries. The Ministry of Ordnance Industry has manufactured machines for processing farm produce and equipment for food packaging and sold them to cities and villages in more than 20 provinces and municipalities throughout China.

The military also is training soldiers in both military and professional skills to participate in national economic construction. The Army already has trained 600,000 personnel for both military and civilian functions to assist in constructing 1,000 national or local key projects and helped more than five million rural households develop commodity production. Chinese leadership seems committed to an increasingly significant role for the PLA and defense industry in Chinese civilian economic development.

d. Implementation and Trends

Military and economic reforms are being widely implemented throughout China. Deng Xiaoping and many other Chinese leaders have pointed out repeatedly that military reform must be carried out and that the military will continue its involvement in China's economic construction. Military reform is regarded as an important link to the nation's economic reform. Military reform and economic construction work hand in hand, each benefitting the other, while large military expenditures await the development of the civilian economy. In the meantime the PLA will concentrate on implementing such urgently needed reforms as streamlining military organizations, raising the level of science and technology and improving defensive weapons and equipment.

In implementing military reform, the Chinese leadership has encountered interference and resistance from certain privileged bureaucrats and army officers who view the reforms as a direct threat to their authority and privileges, contending that present policies weaken China's military power and betray genuine socialist concepts and defending Maoist egalitarianism and permanent employment as the superior values of socialism. There also are some who feel that the transfer of defense technology is inadvisable because it compromises security. Others are concerned that the production of more civilian goods might lead to neglect of the quality and quantity of military products and could make it difficult to switch back to military production in the future.

e. Conclusion

Chinese leader Deng Xiaoping told visiting Japanese Liberal Democratic Party Vice President Susumu Nikaido on 28 March 1985 that reform is a "second revolution."⁸ However, Deng's "revolution" is still very much in an experimental stage. China is taking small steps, one at a time, repairing past errors and correcting mistakes as it implements reform policies. Deng has said, "We watch every step, weigh our experience, and are quick to change whatever seems inappropriate."⁹ After more than 6 years, indications are that

the reforms have been rather successful in rejuvenating the economy and strengthening the nation's military power, bringing tangible benefits to the nation and winning the general support of the people.

The past 6 years have resulted in significant achievements in reforming the PLA. Military organization is being streamlined, the quality of soldiers is being improved through education and training, and new and better weapons and equipment are being brought in. At the urging of Deng and his supporters, army-civilian economic integration has led to the Army's becoming heavily involved in civilian economic work.

The reform program has brought tangible benefits to the nation and its citizens. Increased earnings have given the people more purchasing power and added material incentives have encouraged the people to seek to make money and enjoy comfortable living. However, some say that this has weaned them away from the revolutionary socialist spirit and caused the general mentality of the people to succumb to the old "bourgeois" way of life. They question whether the reform program has become overly pragmatic and has abandoned the basic precepts of Marxism-Leninism and Maoism, leading China toward capitalism. The leadership, however, has pointed out that China is still a planned economy, although the market mechanism is brought into play. Effective control is exercised over major issues, while minor issues are allowed flexibility. China's economic reform is the remolding of the existing Soviet model. The new socialist economic model not only differs completely from the model of the market economy in capitalist countries, but it is also vastly different from that of other socialist countries and shows special Chinese characteristics. Deng has defended his position, saying: "China sticks to dominant public ownership and common prosperity as the fundamental principles of socialism," adding, "We must intergate the universal truth of Marxism with the concrete realities of China, blaze a path of our own and build a socialism with Chinese characteristics."¹⁰

The key question is what will happen after Deng. Will there be a power struggle among the veterans in the party and the senior officers in the PLA? Will the successors support or try to reverse the reform program? The longer Deng stays, the more likely the reforms will become entrenched and institutionalized. After 6 years, the policies already have met with enough success to make them generally acceptable and difficult to overturn. The people have had a substantial taste of reform and have received benefits therefrom. They will doubtless wish to support continued reforms in the future development of China's economy.

NOTES

¹Delfs, Robert. "The Price of Progress." Far Eastern Economic Review (Hong Kong), April 11, 1985, pp. 74-75.

²Immanuel C. Y. Hsu, The Rise of Modern China, 3d ed. New York: Oxford University Press, 1983, pp. 839-841.

³June Teufel Dreyer, "China's Military in the 1980's." Current History (Philadelphia), September 1984, p. 269.

⁴Julian Baum, "China Looks for New Brass," Christian Science Monitor (Boston), 6 November 1984, p. 9.

⁵Dreyer, p. 269.

⁶Ibid., p. 276

⁷"Yang Dezhi Discusses PLA Modernization." Zhongguo Xinwen She, 3 January 1985, in JPRS, China Report: Political, Sociological, and Military Affairs, 85-009, 29 January 1985, p. 180.

⁸"Deng: Reform is 'Second Revolution'." Beijing Review (Beijing), no. 14, 8 April 1985, pp. 6-10.

⁹Ibid.

¹⁰"China Sticks to Socialism, Deng Stresses." Ta Kung Pao Weekly Supplement (Hong Kong), 14 March 1985, p. 3.

2. CHRONOLOGY

The records included in the following chronology, covering the period 1 May 1984 - 30 June 1985, have six headings:

Objectives	◦ the major areas of reform in China;
Subobjectives	◦ categories of important programs, problems, and accomplishments under the major areas of reform;
Indicators	◦ summary of events, programs, problems, and accomplishments in the major areas of reform;
Assessment	◦ analysis of the implications of the reforms;
Sources	◦ the material on which the indicator and assessment are based; and
Item Date	◦ date of events or programs.

The 120 records are listed chronologically under appropriate objectives. This is a selective rather than an exhaustive list, with emphasis given to those reforms expected to have a significant affect on the military or military economic developments.

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

Objectives ECONOMIC
Subobjectives reform of science institutes
Subobjectives bureaucratic efficiency
Indicators The institution of the responsibility/contract system in 1983 doubled the productivity of employees of Beijing's 20 scientific research institutes and increased their incomes. Prior to the reforms, an average of 11 persons worked on each project; now the average is 6. Previously, an average of 29 people were involved in achieving each research result; now 14 are used. In May 84 the State Council ordered all research institutions to introduce some form of contract/responsibility system. In 1983, 20 of 79 Beijing institutes experimented with a responsibility system; they may keep 90% of their profits for development, welfare funds and bonuses. Institutes are encouraged to sign contracts with enterprises (this was previously assigned through administrative channels). Other aspects of the reform include gradually changing institutes working only for certain industries to technological development centers attached to enterprises, establishing joint research-production companies, and so forth.

Sources Dong Lisheng. "Reforms Spur Science Institutes." China Daily (Beijing), 21 Jun 84, p. 3.

Item Date 83/00/00

Objectives ECONOMIC
Subobjectives rejuvenation of bureaucratic apparatus
Indicators In Beijing, 525 new leaders are appointed to leading posts in industrial bureaus/enterprises in 1983 as bureau directors, deputy managers, general engineers, and general accountants. One third of these appointees are under 40 years of age. The average age of executives drops from 56.5 to 48.3 in industrial bureaus, and from 49.6 to 45.9 in 190 large or medium-sized industrial enterprises. University-educated executives make up 64.3% of the bureaus' leadership, up from 35.5% in 1982 and 37.8% of enterprise management, up from 21.6% in 1982. Leadership in Beijing's 17 industrial bureaus and 1/2 of its S&T research institutes is restructured; 54 of 55 main industrial enterprises have leadership reshuffles.

Sources "Young Cadres Promoted." China Daily (Beijing), 4 Jan 84, p. 3.

Item Date 83/12/00

Objectives ECONOMIC
Subobjectives decentralization
Subobjectives agricultural reform
Indicators Peasants adapt and adjust to numerous changes in the production, discipline, reward systems (the responsibility system), changes in

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

Continued

land assignments, and the reorganization of village life. In 1983 the "family responsibility system" set the all-time record of basic production outputs.

Sources

"Meanwhile, Back on the Farm." China News Analysis (Hong Kong), no. 1251, 2 Jan 84, pp. 1-13.

Item Date

84/00/00

Objectives

ECONOMIC

Subobjectives

industrial reform

Indicators

Efforts to develop a consumer goods industry began in Aug. 83. A consumer goods industry will promise higher living standards, and improve production rates, financial order, and technological modernization. It will generate cash and provide financial responsibility and material rewards for both the whole unit and individuals. Managers are to budget and forecast all aspects of production.

Sources

"Consumer-Goods Industry," China News Analysis (Hong Kong), no. 1253, 30 Jan 84, pp. 1-7.

Item Date

84/00/00

Objectives

ECONOMIC

Subobjectives

agricultural reform

Indicators

Because the responsibility system links output directly with economic interests, some peasants who have contracts with production teams have subcontracted to take charge of other peasants' farmlands. This is a trend towards the further improvement of the contract system. In many communes and brigades, farmland subcontracts have grown simultaneously with the development of sideline occupations and the diversified economy.

Sources

Wang Xingrong. "Subcontract Newest Way to Handle Land." China Daily (Beijing), 1 May 84, p. 4.

Item Date

84/05/00

Objectives

ECONOMIC

Subobjectives

cadre selection

Subobjectives

management reform

Indicators

A new system of cadre selection has been instituted by 50 losing enterprises in Wuhan, Hubei Province. The Wuhan Economic Department initiated the 3-part system to recruit qualified young cadres: nominating, electing, and contracting. Enthusiastic, daring young people with sound scientific and managerial backgrounds are nominated and given important jobs in stagnant enterprises. Candidates for election, nominated by themselves or others, are given jobs on a trial basis. Leaders at higher levels evaluate the cadres' progress; once elected, managers are

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

Continued

allowed to choose their assistants. In smaller factories or workshops within large factories, would-be managers are given the chance to show their abilities and will be placed under contract after their policies prove effective--i.e., produce good economic results. Wuhan has a reformed system of bonus distribution and responsibility subsidies, now firmly linked to profits. Managers will get 30-yuan bonuses if their factories overfulfill their quotas by 10% or recover losses by a like amount. They can also receive pay raises along with their responsibility subsidies by proving to be instrumental in effecting good economic results. Managers will also be allowed to hire and fire professional personnel, raise or cut their salaries, and promote workers to leading posts.

Sources

"Enterprises Adopt New Cadre System." China Daily (New York), 2 May 84, p. 3.

Item Date

84/05/00

Objectives

ECONOMIC

Subobjectives

organizational reform

Indicators

Reforms in the commercial system seek to create a "unified and animated domestic market." China will merge most of its wholesale agencies into wholesale markets, or "trade centers"--as independent business entities no longer subordinate to offices of any commercial departments. Reform is geared to speeding up "commodity circulation" in large cities. Regional trade barriers will not be allowed. Trade centers will handle all commodities save important means of production and goods in short supply; centers are being planned in all cities and rural commercial hubs.

Sources

Zhang Xiaogang. "China's Commerce System Faces Profound Reform." China Daily (Beijing), 19 Jun 84, p. 4.

Item Date

84/06/00

Objectives

ECONOMIC

Subobjectives

management reform

Indicators

China is interested in learning western management techniques because it estimates 5% of its population--50 million people--need managerial training. To this end, American, Japanese, and European entities have been allowed to establish business schools in China. The United States runs the American Management Institute in Dalian (which recently had its US grants renewed for another 5 years). Japanese instructors advise on production management in Chinese factories. The EEC is helping to start (with a \$2.8 million grant) a business school in Beijing as a joint project with the China Enterprise Management Association (a

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

Continued

state body established in 1978 to improve management). The grant will finance the European academic staff for the school's first 5 years; the Chinese will provide the buildings and some faculty members. The teaching language will be English; the school will open in Spring 1985. By then the first 35 student managers and 8 Chinese faculty will have studied business and English in Europe for 5 months. The Brussels-based European Foundation for Management Development will run the project which will deal more with practical training than academic theory for the EEC. Computers will be a part of the curriculum. At the end of their studies, the graduates will be sent to European companies as part of the MBA program.

Sources

"Let 50m MBAs Bloom." The Economist (London), 9 Jun 84, p. 86.

Item Date

84/06/00

Objectives

ECONOMIC

Subobjectives

reform of science institutes

Subobjectives

bureaucratic efficiency

Indicators

Research institutes in Beijing introduced management reforms which are being adopted in stages and vary according to the type of institution. Fifty engineering and applied science institutes will be funded through projects they have contracted for; 30 institutes in the pure sciences will operate on fixed funds. Ten draft measures to give S&T institutes more say in running their own affairs have been announced. Twenty engineering institutes are already on a contract system; by the end of 1985 all 50 are scheduled to be so. Institutes will be funded solely from sales of technology they have developed. The 30 pure science institutes will not have any economic rate of return for the next 2 years; they will submit a fixed budget for particular projects to their supervisory government department; once approved, they can keep money they save on the project.

Sources

"Management Reform for Research Institutes." China Daily (Beijing), 18 Jul 84, p. 1.

Item Date

84/07/00

Objectives

ECONOMIC

Subobjectives

management reform

Indicators

In 1984, more than 490 factories elected directors and managers in a major reform of the personnel system in Wuhan. Factory elections were introduced by the municipal leadership in a bid to speed up reorganization of the city's economic structure. Candidates are proposed or picked from volunteers, usually between 2-5 for each appointment. Elected directors and managers tend to be younger with good educational

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

Continued

qualifications; nearly 1/2 are high school or college graduates, and their average age is 35. Candidates address the workforce on their reform program and answer questions prior to the voting procedure.

Sources

"New directors elected in factories shake-up." China Daily (Beijing), 25 Jul 84, p.3.

Item Date

84/07/00

Objectives

ECONOMIC

Subobjectives

urban reform

Indicators

"Reformative work" in the urban commodity-circulation system must be carried out in accordance with local conditions. It is important to distinguish between government administration and enterprise management, expand enterprises' power, and strengthen government's administrative control. The three-tier wholesale system for manufactured goods for daily use must be changed and wholesale stations merged with wholesale corporations. Trade centers must be established in cities to gradually form an open wholesale system with more channels, but fewer intermediate links. Small state-owned retail stores and catering and service trade units must be transferred to collectives or leased to individuals for operation. Big and medium-sized state-owned retail stores and catering and service trade units should institute operation contracts and the responsibility system after replacing profit delivery with tax payment. Price policy must be implemented correctly and any action to shift burdens onto buyers prohibited.

Sources

Beijing Xinhua Domestic Service. "Commerce Ministry Report Views Commercial Reform." in FBIS/China, 24 Jul 84, pp. K12-13.

Item Date

84/07/00

Objectives

ECONOMIC

Subobjectives

organizational reform

Indicators

It is necessary to delegate more power to enterprises and free them from the restrictions and direct control of administrative organs. Enterprises must be turned into independent economic bodies, separate from government administration, managed by trade, with the boundaries between various kinds of ownership and subordinate relations abolished. Economic bodies must be established as specialized or joint companies. The concept of "enterprise" must be expanded to include more than an individual factory, shop or mine and given legal status --guilds, alliances, or leagues should be established, but remain relatively independent. Enterprises in the same trade should jointly organize a coordinating organ to formulate plans

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for the trades and to coordinate supply, production, marketing, and so forth.

Sources Chen Bingliang. "Separating Government Administration From Enterprise Management Is a Vital Component of Urban Reform." Guangming Ribao (Beijing), in FBIS/China, 6 Aug 84, pp. K13-14.

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Objectives

Subobjectives

Indicators

ECONOMIC

rural financial reform

Wang Lan, Vice Chairman, Board of Directors, Agricultural Bank of China, said energetic reforms should be made in rural finance to advance rapid change in the countryside. Rural financial departments must better adapted to the needs of commodity production and exchange in rural areas. Reforms must establish an independent and modern rural financial network and further the role of rural financial departments as a lever in promoting economic development. Rural credit cooperatives and branches of the Agricultural Bank of China must first consider economic returns before extending credits. Credits should be increased only if purchases of farm and sideline products grow and the rate of credit recovery rises. A large part of these credits should be extended to specialized households and economic unions in rural areas, or to rural enterprises devoted to food and feed industries and the processing of farm products. Branches of the Agricultural Bank of China should be given more authority in managing credit funds. Interest rates on rural credits should be allowed to fluctuate according to actual circumstances within a fixed margin set by the state. Interest rates on credits on projects encouraged by the state should be lower; those to be discouraged, higher. To precipitate reforms, rural financial departments should enroll more people with training in agriculture, forestry, water conservancy, animal husbandry, foreign languages, and computers.

Sources

Chen Guanfeng. "Reform of finance in countryside proposed." China Daily (Beijing), 1 Aug 84, p. 2.

Item Date

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Objectives

Subobjectives

Indicators

ECONOMIC

management reform

Gu Ming, Deputy Secretary General, State Council, said a reform aimed at expanding decision-making powers of business management will be introduced gradually to all state industrial enterprises in 1985. The new system, part of the ongoing national economic reform program in urban areas, will ensure that directors and managers have total responsibility for production. Party

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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and administrative work will be separate--a director will have final say on technical and operational management and be able to make decisions on the spot without outside interference. A director could "form his cabinet" by nominating deputies and appointing heads of administrative and technical departments. Deputies will usually serve 2-3 years, but may be dismissed at any time for incompetence. The new system will end the practice within state enterprises of guaranteeing everyone a wage regardless of work done. After paying taxes, enterprises will set wages and bonus rates. The reform will allow party committees to concentrate on implementing party policies and educating workers and staff.

Sources

Liu Dizhong. "Managerial reform to give directors total responsibility." China Daily (Beijing), 9 Aug 84, p. 1.

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Objectives

ECONOMIC

Subobjectives

decentralization

Indicators

Shijie Jingji Daobao (World Economic Herald) reports State ownership of the means of production will remain a "fundamental tenet" in China. However, "the economic monotony of state ownership" will yield to diversified economic management and modes suited to Chinese conditions--in other words--decentralization. The planned economy will continue to play a major role, although market regulations will be implemented and a rigid adherence to the state plan and targets ended. Efforts will be made to institute a multilayer policy-making body that centralizes important powers, decentralizes minor powers, and creates a clear division of labor between the CCP committees, administrative departments, and enterprises. Economic management according to administrative system and regions will be changed to a new system where the urban economy is dominant and production guided according to the division of trade. Economic restructuring will also abolish the taboos fettering the enterprises to improve distribution; set up a system of distribution where the economic interests of the central and local units, state and enterprises, collectives and individuals are coordinated, and the duties, powers, and interests of all sides clearly defined. The financial system of unified state allocations for state-owned enterprises and unified collection of their receipts, standardized pricing and "eight-grade" wages will also be changed.

Sources

"Quick Glance at Economic Reform." Beijing Review, 13 Aug 84, p. 31.

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<u>Objectives</u>	ECONOMIC
<u>Subobjectives</u>	management reform
<u>Indicators</u>	China is trying a "free-flow experiment" to reform its scientific personnel management system and end lifelong job tenure. China seeks to distribute and employ its 6 million scientists and technicians where needed and without undue concentration in several large cities and certain organizations. A 1983 State Council document which aims to promote labor mobility and preferential policies designed to place workers where needed has been drawn up. A job-invitation system has been set up on a trial basis to coordinate with the present job-assignment system, also subject to reform. The job-assignment system will be strictly enforced in key construction and research projects and in remote border areas. Scientists and technicians who are inappropriately employed will be reassigned. College graduates will be free to transfer only after 3 years of assigned work.
<u>Sources</u>	Xin Xiangrong. "Rational Flow of Skilled Personnel." Beijing Review, no. 32, 6 Aug 84, pp. 4-5.
<u>Item Date</u>	84/08/00

<u>Objectives</u>	ECONOMIC
<u>Subobjectives</u>	urban reform
<u>Indicators</u>	Experimental comprehensive reform of the urban economic system will have been conducted in 52 cities in China by the end of September 1984. Twenty-one of these cities are provincial or regional capitals and 8 are coastal cities, open to outside work-- including Fuzhou, Xiamen, and Guangzhou.
<u>Sources</u>	"Experimental Comprehensive Reform of the Urban Economic System Is Being Carried Out in 52 Cities." Guangming Ribao (Beijing), 16 Oct 84, in FBIS/China, 23 Oct 84, pp. K8-9.
<u>Item Date</u>	84/09/00

<u>Objectives</u>	ECONOMIC
<u>Subobjectives</u>	professionalization
<u>Subobjectives</u>	management reform
<u>Indicators</u>	Renmin Ribao (Beijing) reports Shanghai has developed a contingent of 1,500 talented people ready to assume posts as cadres and help the modernization program. This unique group, democratically chosen, and consisting of many young or middle-aged people (average age slightly over 42 years), is around 90% college-educated (or with similar schooling) and 70% professionally titled. In the 2d half of 1983 Shanghai used the views of the public and a computer to draw up a list of future cadres. Data was gathered from a form with 40 different sections filled in by people qualified to judge the candidates' qualities and potential. The public recommended

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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candidates, and information on those nominated is stored in a computer. The system has been described as "scientific, democratic, systematic and modern." Those selected will receive training and eventually be promoted to replace those with unsatisfactory job performance.

Sources

"Talent force of 1,500 set to take over top positions." China Daily (Beijing), 16 Sep 84, p. 1.

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84/09/00

Objectives

ECONOMIC

Subobjectives

management reform

Indicators

Ninety-four percent of the 1st group of 9,019 business executives passed the state exams held in August. The examinees were managers and directors of enterprises in industry, commerce, foreign trade, construction, transport, and post and telecommunications. The exams covered China's economic policies and management principles. A State Council decision mandates that all managers and directors of state businesses take the exams, which are scheduled to be completed nationally by the end of 1985. Personnel who decline to take the exams will be relieved of their posts; those who fail will be able to retake them only once and will be removed from office if they fail a second time.

Sources

Beijing Xinhua. "Results of State Executive Exams Released." in FBIS/China, 25 Oct 84, p. K6.

Item Date

84/10/00

Objectives

ECONOMIC

Subobjectives

urban reform

Indicators

The thrust of urban economic reform is to reduce the role of the State and Party in the economy. The authority of State agencies to dictate output quotas to factories will be decreased in favor of market forces. The autonomy of enterprises will be expanded--giving more responsibility and authority to professional managers and reducing the role of Party officials. Robert Delfs. "Free-market Communism." Far Eastern Economic Review (Hong Kong), 25 Oct 84, pp. 51-52.

Sources

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84/10/00

Objectives

ECONOMIC

Subobjectives

price reform

Indicators

Price reform is crucial to reducing the state's and party's role in the economy. The State Planning Commission announced in Oct 84 that the range of industrial products under mandatory planning and price controls will be halved from 120 to 60 at the end of 1984. This shifts the blend towards the free market with a three-part

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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division of the economy into compulsory planning with fixed prices, guidance planning with floating prices, and freemarket sectors.

Sources

Robert Delfs. "Free-market Communism." Far Eastern Economic Review (Hong Kong), 25 Oct 84, pp. 51-52.

Item Date

84/10/00

Objectives

ECONOMIC

Subobjectives

decentralization

Subobjectives

market reform

Indicators

The State Planning Commission announced China's centralized planning system will undergo major reform in 1985. More than half the products which now have output targets will switch to more general production guidelines or be left to market forces. Enterprises remaining under centralized state planning that fail to meet their targets will be fined and have their supply of raw materials and energy reduced the following year. Industrial products under centralized state planning will be reduced from 120 to 60; agricultural and sideline products from 29 to 10. Ministries, provinces, autonomous regions and municipalities may set quotas for items not included in the state plan, but these should be limited to only a few important goods. Products under centralized state planning will be sold at prices fixed by the state, though once an enterprise has fulfilled its output quota, it will be able to sell any surplus at flexible prices.

Sources

"Centralized planning to undergo reform."

Item Date

China Daily (Beijing), 9 Oct 84, p. 1.
84/10/00

Objectives

ECONOMIC

Subobjectives

price reform

Indicators

"Reform of the price system is ... the key to reform of the entire economic structure" because so many other aspects of reform depend on establishing a rational price structure. The range of products with uniform prices set by the State will be reduced; the number of products sold at floating and free prices will be increased. Price reform aims at having prices reflect the actual value of a commodity, taking into consideration production costs, relative quality, and market-determined factors of supply and demand. Price reform will also reduce the scale of mandatory planning and allow greater independence for enterprises. Price reform represents a decisive break with the Soviet model of a command economy controlled by a central bureaucracy and instead will "replicate the decision-making structure and environment of a capitalist economy." Price reform will identify and

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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reorganize enterprises that fail to make efficient use of resources. Enterprise autonomy (another reform) is meaningless without price reform. Robert Delfs. "The Price of Progress." Far Eastern Economic Review (Hong Kong), 1 Nov 84, pp. 26-27.

Sources

Item Date

84/10/00

Objectives

ECONOMIC

Subobjectives

Price Reform

Indicators

An october 1984 Central Committee resolution announced price reform. Vice-Premier Tian Jiyun described the blueprint for price reform and indicated that the approach should be one small step at a time. Changes in the index of retail prices must be limited to what the State treasury, the enterprises, and individuals can afford. Start with the easy and then attack the difficult. The price of commodities such as cereals, edible oils, meat and vegetables have direct impact on peoples' living standards and must be adjusted in line with wage reforms.

Sources

"Tian Unveils Blueprint for Price Reforms" China Daily (Beijing), 10 Jan 85, vol. 4, no. 1079, p. 1.

Item Date

84/10/00

Objectives

ECONOMIC

Subobjectives

management reform

Indicators

The National Center for Industrial Science and Technology Management Development in Dalian, a special training program co-sponsored by the US and China, has been extended for another 5 years. The program, to promote Western business concepts and management skills, has been helpful in China's modernization efforts. Established in 1980, the program will have graduated nearly 1000 participants from its 5 sessions of the base program for directors and managers of large and medium-sized enterprises, one session for senior executives and one special session on applied statistics by the end of Nov. 84. Besides the center in Dalian, seven others co-sponsored by foreign countries are either set up or in preparation. The Dalian base program is modeled on the 2-year MBA program commonly offered in US business schools, though considerably shorter--6 months.

Sources

"Western Training Programme a Hit." China Daily (Beijing), 8 Nov 84, p. 4.

Item Date

84/11/00

Objectives

ECONOMIC

Subobjectives

wage reform

Indicators

Chen Bangquan, a department chief from the Ministry of Light Industry, said the State Council

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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approved temporary regulations designed to spur the economic performance of enterprises. The change in wage allocation will be carried out in collectively-run light industrial enterprises, businesses that comprise 50% of China's 118,000 collectively-owned urban enterprises. Wages and bonuses will be counted in production costs, linking wages to product prices. This will enhance worker initiative because pay was directly linked to economic performance. There will be no ceiling on workers' bonuses, which unlike those in State-run enterprises, are tax exempt. The new wage system is expected to help control prices because light industrial enterprises produce goods in daily use. Under the regulations, enterprises are independent economic entities under the guidance, not instruction, of State policies and planning. Collectively run light industrial enterprises can adjust output and products in accordance with market demand, may sell their products directly to the market after meeting purchase targets set by the state, and can decide the prices of products not subject to state price controls. Production promotion expenses can now be included in production costs.

Sources

Li Huahong. "Reform of wage system put to test." China Daily (Beijing), 1 Dec 84, p. 1.

Item Date

84/11/00

Objectives

ECONOMIC

Subobjectives

management reform

Indicators

The EEC is contributing to China's launching of a national management center in Beijing by sponsoring two Master of Business Administration programs for a total of 100 Chinese managers--some targeted as future leaders of Chinese industry. The program began operating out of temporary premises in Sep 84 with 35 students. The official opening of the center is in Mar 86. There are two components of the project: training the center's future Chinese faculty (25 professors); and training MBA students selected as future management trainers who will then work in other national management centers the State Economic Commission is establishing throughout China. The MBA course will be project-based and geared toward practice. Students, (all of whom have several years work experience) will work in teams of six, on 2-year consultancy assignments in selected industrial enterprises in the Beijing area carrying out comprehensive audits of the enterprise and its activities, working with its managers and addressing some key management problems. This will also amass much valuable teaching and research material on individual Chinese industrial enterprises.

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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Sources "The EEC-China Management Project."
Sino-British Trade Review (London), no. 243, Dec
84, pp. 2-3.
Item Date 84/12/00

Objectives ECONOMIC
Subobjectives structure
Indicators Economic reform is the remolding of the
existing economic model. It is a reform carried
out "on the premise of adherence to the socialist
system." The "decision" has in fact worked out a
programmatic solution to the question of China's
socialist economic model. China's original
economic structure should be classified as the
"Soviet Model." It was the traditional centralized
planned economy. The "Decision" points out that
the key to restructuring the national economy is
to focus on the urban economy and invigorate
enterprises, particularly the large and
medium-sized enterprises owned by the whole
people. The major characteristics are: (1) to
uphold the planned economy while bringing market
mechanisms into play. (2) to exercise effective
control over major issues, while allowing
flexibility in minor ones.

Sources Beijing Jingji Yanjiu. no. 12, 20 Dec 84, pp
16-24, in JPRS. China Economic Affairs, 11 Feb
1985, pp. 16-25.
Item Date 84/12/20

Objectives ECONOMIC
Subobjectives industrial reform
Indicators In 1984 the ratio of light to heavy industry
was 48.1 to 51.9. Light industry production
increased by 13.4 percent while heavy industry
production rose by 14.2 percent. Energy resources
hit a record of 772 million tons of coal and 115
million tons of crude oil. The machine-building
industry grew 20 percent over 1983 and the output
of electronic products increased by more than 50
percent. The state listed 123 key large- and
medium-sized projects to be completed within a
"reasonable" time limit. Construction on key coal
mines, oilfields, power stations and railroads
exceeded quotas in 1984. However, some problems
remain. Housing is still in great demand. Finding
sufficient water is another problem. Most small-
and medium-sized mines are lagging far behind in
technology.

Sources Beijing Review (Beijing), no. 10, 11 March,
1985, pp. 15-18.
Item Date 85/03/00

Objectives ECONOMIC
Subobjectives Industrial reform

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Indicators

Shanghai Yanzhong Industrial Co. issued stocks for the first time in February; 100,000 of its shares sold within hours at 50 yuan each. It was the first modest beginning towards creating a stockmarket in China. As Deng Xiaoping has said: "The basic things will still be state-owned, but a greater opening to the outside world is needed to quadruple output and transform the country into a major economic power in the 21st century." The leaders are confident the freeing of the prices will not lead to any inflationary situation. As Premier Zhao puts it: "Prices are the key factor. In fact, they are the key to the entire reform." And he adds: "We will not waver because of a few disturbances." Shanghai is to be developed into what is described as an open socialist metropolis with multiple functions and a rational industrial pattern. Some 22 major lines of production will be emphasized, including electronics, motor vehicles, shipbuilding, aircraft, telecommunication equipment, high- and middle-grade consumer goods, petrochemicals, and iron and steel. Foreign investment, therefore, will be in ever-increasing demand. Investment projects, which contain an element of technology transfer, are, therefore, courted and preferred.

Sources

Asian Finance (Hong Kong), vol. 11, no. 3, 15 March 1985, pp. 79-83.

Item Date

85/03/00

Objectives

ECONOMIC

Subobjectives

structure

Indicators

The "Decision" has broken through the traditional concept of denying the existence of commodity relationships within the whole-people ownership system and has explicitly pointed out that the enterprises owned by all the people should become relatively independent commodity producers and businessmen. The "Decision" has broken through the traditional concept of regarding competition as a capitalist characteristic and has pointed out specifically that there is bound to be competition as long as there is commodity production. China's economic structure has integrated fundamental Marxist principles with actual Chinese conditions.

Sources

Red Flag (Beijing) in Chinese No. 4, 16 Feb 85 pp. 41-45, JPRS-CRF-85-009, 12 April 1985

Item Date

85/04/00

Objectives

GOVERNMENT

Subobjectives

bureaucratic efficiency

Indicators

China's first talent development corporation is established in Taiyuan, Shanxi Province, in Sept. 83. The corporation supports itself by offering technical consultancy services and

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technology transfer. It supplies information and experimental equipment to those who come to it for help, and calls in specialists to aid applicants whose scientific ideas it deems practical. The corporation was funded by a grant from the Shanxi Provincial Government. The corporation also offers training courses.

Sources "Shanxi sets up talent development corporation." Ta Kung Pao Weekly Supplement (Hong Kong), 16 Feb 84, p. 7.
Item Date 83/09/00

Objectives GOVERNMENT
Subobjectives rejuvenation of bureaucratic apparatus
Indicators New cadres are assigned and old cadres retreat to the second line as administrative restructuring is carried out.

Sources "Support New Cadres To Work Freely." Renmin Ribao (Beijing), 9 May 84, p. 1, in FBIS/China, 14 May 84, p. K19. "Streamlining to Focus on County-Level." China Daily (New York), 6 Jan 84, p. 1.
Item Date 83/12/00

Objectives GOVERNMENT
Subobjectives organizational reform
Indicators One quarter of China's more than 2,000 counties are being administered from nearby cities as a new administrative system promoting integration of town and country spreads. These changes are part of a nationwide restructuring of the administrative system completed at the end of 1983 when 35 prefectures had been abolished, 368 counties put under the administration of nearby cities, another 22 counties incorporated as cities, and 40 county seats became independent areas in underdeveloped areas. The prefecture remains the administrative unit immediately under the province. In the new system, urban and rural production can be integrated with the city as the center and the country as the supplier of raw materials. This will strengthen economic ties between town and country, promote integration of agriculture, industry and commerce, and simplify administration.

Sources "Counties set under cities to facilitate economy." China Daily (Beijing), 1 Mar 84, p. 1.
Item Date 83/12/00

Objectives GOVERNMENT
Subobjectives decentralization
Indicators Middle and lower levels of bureaucracy are given more leeway in the implementation of the reform effort.

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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Sources Donald Zagoria. "China's Quiet Revolution."
Foreign Affairs (New York), vol 62 (Spring 1984),
pp. 879-904.

Item Date 84/00/00

Objectives GOVERNMENT

Subobjectives organizational reform

Indicators In 1984 China "reformed" county-level
administrations and continued to separate commune
organizations from rural township governments. The
number of government institutions at the county
level will be reduced by 30% and the number of
officials will be cut by 20% when the reforms are
completed.

Sources "Streamlining to Focus on County-Level."

China Daily (New York), 6 Jan 84, p. 1.

Item Date 84/00/00

Objectives GOVERNMENT

Subobjectives rejuvenation of bureaucratic apparatus

Indicators At the provincial level, the average age of
personnel dropped by 7-8 years.

Sources "Reshaping the Administration." China News
Analysis (Hong Kong), no. 1260, 7 May 1984. pp.
1-10.

Item Date 84/00/00

Objectives GOVERNMENT

Subobjectives Leadership

Indicators Since 1982 more than 80,000 young and
middle-aged cadres have been promoted as leaders
at the county level and above. In the 41
ministries and state commissions, the average age
of ministers, vice-ministers and directors has
been reduced from 65 to 59, and the proportion of
college educated among them has increased from 38
to 50 per cent. These newly-promoted leaders have
new ways of thinking, new working styles and new
knowledge. The 1983 Party Central Committee plan
to promote 1,000 younger cadres to provincial and
ministerial levels is near fulfilment. Their
average age is 43, and 90 per cent of them have a
good standard of education in science,
agriculture, economics, law or liberal arts.
Another 30,000 people will be selected as reserve
leaders of prefectures, cities and various
bureaus.

Sources "The Young Rejuvenate Leadership." China
Daily (Beijing), vol. 4, no. 1086, 18 Jan 85, p.
4.

Item Date 84/00/00

Objectives GOVERNMENT

Subobjectives decentralization

Indicators The State Council is calling for an end to
the traditional government monopoly of transport

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by allowing long-distance transport to be undertaken by rural collectives and individual peasants. The new rules allow transport inside or outside counties or provinces of major farm and sideline produce, provided state delivery and sales quotas are met. Products without government sales or delivery quotas will be allowed free transport. Collectives and individual peasants are not allowed to transport timber, cured tobacco and vegetables destined for large and medium-sized cities and industrial mining areas.

Sources

"State Monopoly Transport Ended." China Daily (New York), 10 Mar 84, p. 1.

Item Date

84/03/00

Objectives

GOVERNMENT

Subobjectives

reform of science institutes

Indicators

Zhuzhou Electronic Research Institute--the focus of controversy in the reform of China's science institutes in the past few months--has been officially cited as a model of reform. The institute launched a program in 1981 designed to make itself independent of state subsidies, but ran into trouble in late 1983 because it earned 5 million yuan from the successful development of a microcomputer. The institute, challenged on its legal right to earn a profit, was ordered to slash annual bonus payments to its employees. This upset the reform in boosting personal incentives for the research staff, causing the institute to come to a standstill until Feb 84 when Zhuzhou became a topic of national interest because of Guangming Ribao's reportage of the controversy. The Hunan Provincial Government ordered the institute's bank account unfrozen in Mar 84. Hunan Province will give the institute complete freedom in business operations, personnel administration, and finance. There will be no restrictions on the amounts of bonuses and salaries can be adjusted yearly on a floating-wage basis. At the resolution of the controversy, the institute's director and his deputies were promoted.

Sources

"Promotions conclude institute controversy." China Daily (Beijing), 15 Apr 84, p. 3.

Item Date

84/04/00

Objectives

GOVERNMENT

Subobjectives

tax reform

Subobjectives

wage reform

Indicators

A State Council circular said the ceiling on bonus payments in state enterprises will be abolished, but enterprises paying high bonuses will be subject to a sliding scale of taxation. The new bonus system will be adopted first by a few selected enterprises, then extended to all industries. The existing ceiling is a bonus

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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payment approximating 2 1/2 months wages. Bonuses will be paid by enterprises that have fulfilled state production quotas, increased profits, and handed over more taxes to the state. Enterprises failing to meet quotas and whose profits and tax payments have declined will have their bonuses decreased or halted. This will end across-board bonus payments to everyone. Bonuses can be paid in new wage schedules, special allowances, or other forms--subject to the decision of the enterprises. The sliding scale of taxation on bonus funds aims at preventing inflation. Enterprises, not workers, will be taxed. Tax exemptions will be granted to enterprises whose total amount of bonuses is less than 2 1/2 months the average wage. A 30% tax will be levied on enterprises which pay bonuses equal to 2 1/2 to 4 months wages; a 100% tax on 4 to 6 months wages; and a 300% tax on those exceeding 6 months wages. The invention bonus, 10 special bonuses for saving raw materials, a bonus for suggestions on technical transformation, and a bonus for fast cargo handling so foreign ships sail ahead of contracted schedule, will be tax exempt.

Sources

"Wage Bonus Ceiling Is Scrapped by State."

Item Date

China Daily (New York), 24 April 1984, p. 1.
84/04/00

Objectives

GOVERNMENT

Subobjectives

Management Reform

Indicators

The State will carry out pilot schemes for expanding the enterprise management power by introducing the factory director responsibility system in six large cities: Dalian, Changzhou, Beijing, Tianjin, Shanghai, and Shenyang. In Dalian and Changzhou, the pilots will be carried out in all enterprises; in the other four cities, the pilots will be carried out in selected enterprises. Similar schemes may also be carried out in some selected enterprises in other provinces, municipalities, and autonomous regions. The State Economic Commission said the pilot scheme will grant more management power to enterprises by adopting the factory director responsibility system with a view to solving the problem of insufficient authority of enterprise leaders in dealing with management matters, for expanding the decision-making power of enterprises in their own operation, and to enlivening their production and operation. Enterprises authorized to conduct the pilots must have accomplished enterprise consolidation and passed acceptance tests, have competent leading bodies, and have conducted production under normal conditions. The municipal people's governments of these cities will decide how many enterprises are to be

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selected for the pilots, which will be carried out with other measures for expanding enterprise management power.

Sources

"The System of Offering Greater Decisionmaking Power to Factory Directors Is Being Tested in Six Cities." Jingji Ribao (Beijing). in FBIS/China, 8 May 84, p. K7.

Item Date

84/04/00

Objectives

GOVERNMENT

Subobjectives

democratization

Indicators

The NPC Standing Committee reports that of China's 2,780 counties and county-level constituencies, about 65% (1,812) have conducted elections of people's deputies. Some 500 have convened people's congresses where new leading bodies of the congress and local governments were elected or appointed. It is the second time direct county and township elections have been held in China (1st in 1980). Though the term of office of previous county-level people's congresses elected in 1980 expired in 1983, the NPC Standing Committee decided in Sep 83 that the second direct elections could be postponed until 1984 because of the changes in the nationwide effort in administrative streamlining.

Sources

Xinhua. "People Deputies Elected in 65% of Counties." China Daily (Beijing), 15 May 84, p. 1.

Item Date

84/05/00

Objectives

GOVERNMENT

Subobjectives

reform of science institutes

Indicators

Beijing Ribao reports the contract system adopted in 1983 by 20 Beijing science institutes has led to expanded areas of research, increased income, and greater self-reliance. The institutes can select topics for research, and reward and punish by bonus and disciplinary sanction. Reform has improved the practical application of research findings to production. The number of cooperative ventures with manufacturers increased 41% in 1983 over the previous year. There is no ceiling for either the bonus or reduction allowed under a production quota system. Skilled personnel may change jobs since no one can expect to hold a leading position for life. Enterprises may sign contracts with scientists who can be released or resign when leases expire. Enterprises can reject appointed leaders. Leaders of enterprises at or below the county level should be elected, subject to approval of departments above them.

Sources

"Beijing institutes try new contract system reform." China Daily (New York), 2 May 84, p. 3.

Item Date

84/05/00

Objectives

GOVERNMENT

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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Subobjectives bureaucratic efficiency
Indicators A training course for mayors and deputy
 mayors (second of its kind) opens in Beijing in
 Jun 84. The 2-month course on urban planning,
 management, and construction will stress
 suitability to Chinese conditions. Fifty-one
 percent of the enrollees are college graduates.
 The average age is 44, the oldest student is 56,
 youngest is 39. The course is sponsored by the
 Organization Department, CCP CC, Ministry of Urban
 and Rural Construction and Environmental
 Protection, and the China Association for Science
 and Technology. Four courses are planned to train
 mayors and deputy mayors of 245 cities. The first
 course's enrollees represent 78 cities.

Sources "Training Class for Mayors Gets Under Way."
 China Daily (New York), 13 Jun 84, p. 3.

Item Date 84/06/00

Objectives

GOVERNMENT

Subobjectives

bureaucratic efficiency

Indicators

The Ministry of Labor and Personnel created
a Talents Exchange and Consultation Center in
Beijing to use the potential of China's
technically trained and highly skilled work force.
The center will move people from jobs where their
talents are underused, to places where they are
needed. The center will recruit professionals and
technicians to serve as part-time advisers to
enterprises, coordinate the transfer and borrowing
of technicians between units, and be a go-between
for units lacking skilled personnel and those with
a surplus. The center will provide the training to
create a more skilled and professional work force.
Those who wish to work part-time for the center
need permission from their units.

Sources

"Service Center Created to Make Use of
Talent." China Daily (Beijing), 8 Jun 84, p. 3.

Item Date

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Objectives

GOVERNMENT

Subobjectives

bureaucratic efficiency

Indicators

China's personnel system needs ongoing
reform to cope with modernization. Obsolete ideas
in the existing personnel system must be
eliminated because there is overcentralized
control from above. Personnel system reform must
be coordinated with changes in the economic
system, labor and wage scales, and education.
Steps will be taken when feasible until
comprehensive reforms are possible. Government
authorities will give grassroots units and
enterprises more autonomy to make it possible for
them to initiate reforms. The focus will be on the
discovery and employment of talented, competent
people. The Ministry of Labor and Personnel has

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

Continued

established a center in Beijing to exchange specialized personnel.

Sources

"Personnel Reform 'Key to Success.'" China Daily (Beijing), 26 Jun 84, p. 3.

Item Date

84/06/00

Objectives

GOVERNMENT

Subobjectives

decentralization

Indicators

Renmin Ribao (Beijing) reports Beijing Municipality's reform of the management of retail and service enterprises with profits of less than 200,000 yuan per year. Ownership will remain with the municipality but enterprises will receive greater decision-making powers by signing contracts with rights and responsibilities spelled out. Contracts may be signed with individuals or groups acting collectively. Enterprises can recruit more workers under contract or hire them provisionally and in accordance with the streamlining of personnel organs, they can set up offices and employ personnel according to actual need.

Sources

"Beijing Introduces Commercial Reform." China Daily (Beijing), 9 Jun 84, p. 2.

Item Date

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Objectives

GOVERNMENT

Subobjectives

organizational reform

Indicators

To accomplish socialist modernization and consolidate the people's democratic dictatorship, it is necessary to separate government administration from commune management and establish organizations of State power at the township level. The task of establishing these basic-level organizations is expected to be completed all over China by the end of 1984. By the end of 1983, 22,897 townships had been established throughout China, of which 233 were minority nationality townships. The commune's previous function as a grassroots political unit will be assumed by these township governments. However, the township organizations will need to attend to economic work since economic construction is the focus of work of the Party and State and there are no exceptions for organizations at any level. Township governments manage economic work in their respective administrative areas though they will not directly control production, management, and other concrete matters of collective economic organizations (as did the people's communes). The township governments are charged with protecting the legitimate rights and interests of the collective economy, and encouraging, guiding, and helping its development, while supervising the collective economy to ensure its acceptance of the

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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	guidance of the State plan and its abiding by relevant laws.
<u>Sources</u>	Zhang Youyu. "Setting Up Organizations of State Power at Basic Level." Beijing Review, no. 23, 4 Jun 84, pp. 22-23.
<u>Item Date</u>	84/06/00
<u>Objectives</u>	GOVERNMENT
<u>Subobjectives</u>	tax reform
<u>Indicators</u>	China's State-owned enterprises will operate independently and pay taxes instead of giving all earnings to the State in return for all bills being paid. Enterprises will watch their own finances and face competition. Enterprises that cannot pay taxes and fail to improve within the grace period will have to go out of business. This will be the main thrust of the 2d step of fiscal reform scheduled to begin in Oct 84. The proposed tax reform is both a public finance measure and a step in restructuring the urban economy. The change will remove enterprises from state protection and free them from state restrictions. Seven kinds of taxes will be introduced aimed at ameliorating the irrationalities in China's relative prices so that state-owned enterprises can compete on a more equal footing. The 55% income tax on profits, levied in Jun 83 as the 1st step toward a tax system, will be continued in addition to a regulatory tax (a new concept and measure pending price reforms) levied on those with a large after-tax profit (rate set on a case-by-case basis).
<u>Sources</u>	Qin Xiaoli. "State Tells Enterprises to Support Themselves." China Daily (Beijing), 11 Jul 84, p. 1.
<u>Item Date</u>	84/07/00
<u>Objectives</u>	GOVERNMENT
<u>Subobjectives</u>	management reform
<u>Indicators</u>	Vice Minister of the State S&T Commission, Yang Jun said 5 measures to promote mobility among China's scientists and engineers could be implemented immediately. The present system of planned job assignments will be combined with a system whereby units can offer employment to highly qualified scientific personnel--ensuring a rational flow of expertise to needy areas and enterprises, while simultaneously controlling the undesired flow of talent to major cities. The State S&T Commission will try the new system in Shanghai, Chongqing, Xiangfan, and Changzhou, and in a number of units under the Chinese Academy of Sciences, and the Chinese Academy of Social Sciences. A national exchange center for science and technology to tap human resources will be established immediately and provincial and

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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regional S&T commissions are urged to set up similar centers when conditions are "ripe." Post-doctoral intermediate work-stations will be established--and graduate students will work in these temporary posts for 2-4 years prior to reassignment to more permanent jobs according to national needs. The assignment of graduates and scholars who have studied abroad will be improved and job preferences taken into account as long as they do not conflict with national personnel needs. Appropriate adjustments wherever scientific personnel are not being used properly will be made--provincial S&T commissions will look into overstaffing or improper assignments of scientific personnel and intervene when necessary. Scientific personnel include visiting scholars and college graduates and post-graduate students who have studied abroad.

Sources

"State plan to improve flow of scientists."

Item Date

China Daily (Beijing), 24 Jul 84, p. 1.
84/07/00

Objectives

GOVERNMENT

Subobjectives

management reform

Indicators

He Dongchang, Minister of Education, points out the need to correctly distinguish the authority to central and local governments and educational and other administrative departments in managing institutes of higher learning. This will improve the overconcentration of power and excessive restrictions in the management of institutes of higher learning. Administration must be simplified and power delegated to lower levels. The "malady of egalitarianism" must be overcome by making all institutes of higher learning do a good job in assigning personnel and setting up a system of personal responsibility.

Sources

Shanghai Xinhua Domestic Service. "He Dongchang Discusses Higher Education Reform." in FBIS/China, 5 Jul 84, pp. K4-5.

Item Date

84/07/00

Objectives

GOVERNMENT

Subobjectives

bureaucratic efficiency

Indicators

The separation of government administration from enterprise management will place the state in the position of organizing and directing the national economy. The State will formulate national economic development strategies as well as short-term and intermediate development plans; exercise overall control on proportional relations such as accumulation and consumption; rationalize the national economic structure and be responsible for its future development; formulate economic regulations and supervise their enforcement; guide economic organizations whose members are all the

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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enterprises in the same trade; implement comprehensive development plans; carry out organizational and coordination work that affects several trades at a time or the overall situation; and use economic levers of taxation, investment, subsidies, credit, pricing, and so forth to ensure the overall balance and steady development of the national economy. These economic management functions should be directed and coordinated according to the degrees of socialization of the enterprises and the distribution of enterprises of different sizes at different levels by the State Council, provincial governments, and key cities where they are located. Principal functions and duties of other levels of local governments are to make a success of local construction, public utilities, and administration, properly maintain public order, safeguard enterprises' productive economic activities and their legitimate rights and interests, and better serve economic construction.

Sources

Chen Bingliang. "Separating Government Administration From Enterprise Management Is a Vital Component of Urban Reform." Guangming Ribao (Beijing), in FBIS/China, 6 Aug 84, pp. K13-14.

Item Date

84/07/00

Objectives

GOVERNMENT

Subobjectives

management reform

Indicators

Beijing Municipality has decided to implement major scientific and technical management reforms. By the end of 1985, 50 units in the municipality engaged in the development of technology and spreading the application of scientific research, will begin a compensation contract system. Thirty scientific research units engaged in non-technical development will try a science and technology funding system. There will be 10 temporary measures for the experimental units including: a system of jobs based on talent; within the scope of compensation contracts, units will be able to use the results of their own research or transfer it to others; the ability to reward workers for truly outstanding contributions; job mobility regardless of rank, and as far as it accords with national regulations, discretionary power over their funds and the ability to make rational adjustments in the use of these funds. These scientific research units will use nationally-selected enterprises' funds for funding scientific and technical development. The relationship between higher-level departments and scientific research units will be contractual, rather than administrative, and research units will gradually become more technical. In the experimental funding system,

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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nationally selected enterprises will progressively shift to funding science research units which will submit proposals for funds for certain tasks; the responsible department will send out invitations for bids and then select the best.

Sources

Huang Wei. "Beijing Municipality to Carry Out Major Reforms in its System of S&T Management; 80 Scientific Research Units Will Try Out a System of Compensation Contracts or a Funding System." Renmin Ribao (Beijing), 16 Jul 84, p. 1, in JPRS. China Science & Technology, 84-036, 6 Nov 84, pp. 5-6.

Item Date

84/07/00

Objectives

GOVERNMENT

Subobjectives

management reform

Indicators

Qiao Shi, Head, Organization Department, CCP CC, announced that a system of fixed working terms for factory directors will be instituted in more than 3,000 major State-owned enterprises beginning in 1985. The new measure will be introduced gradually in other factories and business establishments. The term of office for factory directors in general will be 4 years; they may continue to hold their posts if endorsed by the workers' congress at their plant. They may submit resignations if proven incompetent or be removed from office through legal procedure by the workers' congress.

Sources

"Directors' Life Tenure to End." China Daily (Beijing), 28 Aug 84, p. 1.

Item Date

84/08/00

Objectives

GOVERNMENT

Subobjectives

management reform

Indicators

Reforming the management system of the machine-building industry will separate government from the enterprises, which will be placed under lower administrative levels. This will end the previous system whereby the machine-building industry was managed by various departments and administrative levels. The enterprises' decision-making powers will be expanded, government will be streamlined at various levels, and authority delegated to lower-levels--resolving the problem of separated regions and departments, removing barriers between different regions and departments and developing various forms of association and specialized cooperation. The Ministry of Machine-building Industry will become a functioning department of the State Council in charge of the machine-building industry throughout China and will be mainly responsible for managing principles, and policies, overall planning, overall balance, coordination, and service

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

Continued

supervision--geared to the needs of the industry as a whole.

Sources

Beijing Domestic Service. "Machine-Building Industry Reform Viewed." in FBIS/China, 24 Aug 84, p. K14.

Item Date

84/08/00

Objectives

GOVERNMENT

Subobjectives

management reform

Indicators

Xinhua reports the State Council approved a reform program aimed at speeding up industrial development in the Ministry of Machine Building. The program seeks to boost integration by breaking down barriers between administrative regions and various departments and expanding specialized production. All enterprises managed by the ministry will be run by major cities by the end of 1985 as will other machine-building plants under other departments. Machine-building bureaus in all provinces and autonomous regions will no longer manage enterprises because enterprises will receive greater powers of decision over their own funds and be allowed to conclude deals with overseas firms. The ministry will formulate policies and draw up overall development plans rather than function as administrator. Capital goods trade centers will be established in 1985 to stimulate distribution of products and raw materials. New companies will be established to bid for engineering contracts and transregional economic units will be set up to combine research and production.

Sources

"Machine-building Industry Set for Major Shake-up." China Daily (Beijing), 24 Aug 84, p. 1.

Item Date

84/08/00

Objectives

GOVERNMENT

Subobjectives

management reform

Indicators

Vice Minister of Light Industry Ji Long reports approximately 70% of collective enterprises under his ministry have adopted the new contract responsibility system. An August 1984 survey of 35,526 collective enterprises shows their total output value reached 24,516 million yuan in the first 7 months of 1984--10.9% more than the comparable 1983 period, and that 2,800 million yuan of profits and taxes were delivered by these enterprises, an increase of 12.4%--higher than those state-owned enterprises under the ministry.

Sources

"Contract System Brings More Profits to Collective Enterprises." Ta Kung Pao Weekly Supplement (Hong Kong), 6 Sep 84, p. 3.

Item Date

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Objectives

GOVERNMENT

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

Continued

Subobjectives

Indicators

tax reform

Wang Bingqian, State Councillor and Minister of Finance, told a national conference on treasury management that control of the State Treasury will be tightened while other sectors of the economy enjoy more flexibility. The goal of treasury management is to help create, collect, and use funds for the four modernizations.

Sources

Qin Xiaoli. "Tighter control for State Treasury." China Daily (Beijing), 1 Sep 84, p. 1.

Item Date

84/08/00

Objectives

Subobjectives

Indicators

GOVERNMENT

organizational reform

A "downward extension of the central party and state apparatus" is necessary to ensure the success of the reform movement. Provinces have reduced the number of top officials, and abolished or consolidated administrative agencies. In late 1983 this process was extended to the prefectural, county, and municipal levels and the jurisdiction of many small- and medium-sized cities was expanded to include the surrounding rural areas. By early 1984 more than 1/4 of China's 2,000 counties were under the administrative jurisdiction of a neighboring city; 22 counties directly absorbed by cities; and 35 prefectures abolished. Administrative functions have been removed from commune authorities and recentralized in newly reestablished township governments. China is also experimenting with the idea of economic macroregions; though they remain in the planning stage.

Sources

Christopher M. Clarke. "China's Reform Program." Current History (Philadelphia), Sep 84, pp. 254-256, 273.

Item Date

84/09/00

Objectives

Subobjectives

Indicators

GOVERNMENT

reform of science institutes

The first group of 505 technological development institutes has been designated. The institutes will operate under a new system of repayment contracts, replacing the former practice of grants allocated by the state. Institutes will be required to reorientate themselves to society, apply research results to production units, and maintain their operations on a financially independent basis. Research will be encouraged to serve national construction and increase the mobility of scientific workers among various departments and regions. China's scientific research system aims to integrate research with production and bring the initiative of scientific workers into play. The state is planning to change the method of fund allocation to institutes of

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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basic and applied research and new technology. Funding priority will be given to research projects judged of great value to the national economy.

Sources

Beijing Xinhua. "Xinhua Reports New Research Contract System." in FBIS/China, 13 Sep 84, p. K15.

Item Date

84/09/00

Objectives

GOVERNMENT

Subobjectives

reform of science institutes

Indicators

Xie Shaoming, Director, Scientific Management Bureau, State Science and Technology Commission, said China's 505 technological development institutes are being reorganized in a move more suited to the needs of society. These reorganized institutes will apply their research results to production units and maintain independent financial accounting systems. Scientists will be paid according to their contribution to production--a "payment for results" system. It will be easier for scientific workers to transfer from one department or region to another--enhancing initiative and enabling income to keep up with contributions. Research will be aimed at serving China's development. The state plans to change the mode of fund allocation for institutes of basic and applied research and new technology with priority given to research projects judged the most valuable to the national economy. In recent years, many integrated research-production entities, technological-development companies, technical-service centers, and technical fairs have sprung up in China, playing an important role in solving the technical problems of local enterprises.

Sources

"Funding Scheme to Make Full Use of Scientific Skills." China Daily (Beijing), 15 Sep 84, p. 1.

Item Date

84/09/00

Objectives

GOVERNMENT

Subobjectives

tax reform

Indicators

As the 2d stage of the tax reform program, all local and central government departments should stop approval of profit-sharing contracts with enterprises as of 1 Oct 84. A State Council circular issued on 13 Jul 84 provides a number of measures for the changeover and stipulates that all enterprises be brought under the taxation system.

Sources

"Limitations for Profit Sharing Contracts." China Daily (Beijing), 21 Jul 84, p. 1.

Item Date

84/10/00

Objectives

GOVERNMENT

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

Continued

Subobjectives Indicators

law

The constitution passed by the Fifth NPC provided the legal basis for the intensified reform of the economic systems. The 7th Session of the 6th NPC Standing Committee passed the forestry law and the law on drug management. Zhang Youyu, vice chairman of the NPC Legal Commission and president of the China Law Society, said: "Strengthening the legal system will benefit reform. As a result of the reform of the economic systems, more and more economic relations and acts need to be fixed in legal form. We must strengthen economic legislation, reinforce the trial and procuratorial work of economic cases and actively render legal service to economic construction. We must encourage and guide the collective and individual economies."

Sources

"Strengthen the Legal System and Accelerate Reform--An Interview with the Famous Jurist Zhang Youyu." Zhongguo Fazhi Bao (Beijing), 29 Oct 84 p. 1.

Item Date

84/10/28

Objectives Subobjectives Indicators

GOVERNMENT

bureaucratic efficiency

A Renmin Ribao (Beijing) commentator's article says the majority of units have done well in structural reform, but some have not. The successful units have "...a feeling of complete freshness over their age, knowledge structure, and mental outlook, because their leadership groups are sharp witted and capable, the number of layers has been reduced, and their work efficiency has improved." Units that have not done well in structural reform have not been streamlined, and are slack and negligent.

Sources

Renmin Ribao (Beijing), 1 Dec 84, in FBIS/China, 3 Dec 84, p. K1.

Item Date

84/12/00

Objectives Subobjectives Subobjectives Indicators

GOVERNMENT

rejuvenation of bureaucratic apparatus

organizational reform

The people's commune "is fading into history as a governmental unit." By the end of 1984, more than 90,000 township governments had been set up to replace the government functions of the communes. Township governments are in place throughout China, save Tibet, where the change will occur in the first half of 1985. Township governments are responsible for administrative affairs and for making plans for the local economy, taxes, markets, disaster relief, public security, welfare, health, culture, and education. The people's communes will be in charge mainly of organizing production of local collectively run

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enterprises; farmers will be free to determine their own production. Township governments are usually composed of 10 officials serving 3-year terms. They are chosen from among young and educated farmers and return to farming after their 3-year terms if they are not re-elected. The average age of a township government leader is 35 to 40 years old--4 to 5 years younger than the average age of a people's commune chairman was. More than half of the new grassroots government leaders have a senior middle-school education.

Sources

"People's Communes No Longer Govern."

Item Date

Beijing Review, no. 1, 7 Jan 85, p. 7.
85/01/00

Objectives

GOVERNMENT

Subobjectives

organizational reform

Indicators

Minister of Civil Affairs Cui Naifu said efforts to establish township governments throughout China have almost been completed. Since Oct 83, 75,870 township governments have been set up, along with 700,000 villagers' committees, in the rural parts of all provinces, municipalities, and autonomous regions, save Tibet. Township governments will take charge of local administration and production plans and give the villagers' committees more autonomy over management and production at the grassroots level. Village committees consist of several subcommittees that mediate disputes, and oversee public security, and other public affairs. Each village committee has jurisdiction over one or two villages. The work of building township governments in Tibet is expected to be completed in the first half of 1985.

Sources

Beijing Xinhua. "Township Governments Set Up." in FBIS/China, 7 Jan 85, pp. K17-18.

Item Date

85/01/00

Objectives

GOVERNMENT

Subobjectives

bureaucracy

Subobjectives

professionalization

Indicators

Two accomplishments stand out in Beijing's determination to rejuvenate and drastically reduce the size of the staff of China's ailing and bloated bureaucracy. One, 900 thousand aging cadres have given up their life tenure in the past five years. Two, in their place, more than 80,000 professionally competent middled-age cadres were promoted to responsible posts. According to existing rules, the vast majority of cadres must retire when they reach the age of 60 (for men) and 55 (for women). The highest form of retirement is to become advisors in their original outfits. Work is proceeding apace to select leaders among cadres in their 50s and 40s, or even in their 30s.

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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In an interview with Ta Kung Pao, a senior Vice-Chairman on the Central Advisory Commission cited Hu Qili and Wang Zhaoguo in the CPC Central Committee and Vice-Premiers Tian Jiyun and Li Peng as qualified members of the the third echelon. All four are in their prime.

Sources

Ta Kung Pao (Hong Kong), 14 February 1985, p. 1.

Item Date

85/02/00

Objectives

MILITARY

Subobjectives

modernization

Indicators

To modernize fully even a portion of China's military would cost \$300 billion by 1985. Because such an expenditure would require massive infusions of foreign capital and equipment, military modernization occupies a low priority. While modernizing science and technology will eventually benefit the military, it is clear that military modernization will be a highly selective and slow process. China must upgrade research and development in laser, metallurgy, optics, communications, and computers; prepare her scientific-managerial infrastructure for research, development, and production; and train military personnel to use, maintain, repair, and refurbish new equipment.

Sources

Hsu, Immanuel C.Y.. The Rise of Modern China. 3d ed. New York: Oxford University Press, 1983, pp. 839-841.

Item Date

83/00/00

Objectives

MILITARY

Subobjectives

modernization

Indicators

In the past six years, there have been significant changes in China's military system, and very few areas have been untouched by the reforms, which include changes in the size, organization, strategy, ideological orientation, and the technological capabilities of the CPLA. Deng's multiple goals in military streamlining, military force reduction, and administrative streamlining are to achieve modernization and regularization by cutting units with essentially non-military duties; getting rid of aged and incompetent officers; and reducing the political role of the CPLA. Chinese leadership has made it clear that literacy and technical proficiency are important prerequisites to future advancement within the military. By the end of 1984, all commanders of naval combatants, aircraft pilots and 70 percent of the officers from platoon commanders on up must be graduates of a military academy.

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

Continued

Sources Dreyer, June Teufel. "China's Military in the 1980's". Current History (Philadelphia), Sep 84, p. 269.

Item Date 83/00/00

Objectives MILITARY

Subobjectives modernization

Indicators When asked whether China's recent reforms will lead to a different type of socialist economy, Deng said, "In carrying out our modernization programs we must proceed from Chinese realities. Both in revolution and construction, we should also learn from foreign countries and draw on their experience. But the mechanical copying and application of foreign experience and models will get us nowhere. We have had many lessons in this respect. We must integrate the universal truth of Marxism with the concrete realities of China, blaze a path of our own and build a socialism with Chinese characteristics - that is the basic conclusion we have reached after summing up long historical experience."

Sources Deng Xiaoping: Speeches and Writings. Pergamon Press, Oxford, N.Y., 1984, p. 86.

Item Date 84/00/00

Objectives MILITARY

Subobjectives modernization

Indicators Yang Dezhi, member CCP CC Political Bureau and Chief, PLA General Staff, urged commanders and fighters throughout the army to accelerate reform, seek truth from facts, and make reforms conforming with the army's special features. The starting point for reform is meeting the needs for future war and enhancing combat effectiveness. However, reforms must be made on the basis of existing equipment. It is necessary to link needs with possibilities and correctly handle the relationship between national economic construction and national defense work. Selective learning from the experience of foreign armies and promoting such experience in the CPLA is important. War preparedness must be carried out simultaneously with the reform effort.

Sources Shijiazhuang Xinhua Domestic Service. "Yang Dezhi Discusses Accelerating Army Reform." in FBIS/China, 2 Jul 84, pp. K9-10.

Item Date 84/06/00

Objectives MILITARY

Subobjectives rejuvenation of bureaucratic apparatus

Indicators The Air Force recently promoted a group of young cadres as deputy directors of second-level departments; the average age is 40, the youngest person is 30 years old. More than 80% of the newly

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promoted deputy directors have a college education or equivalent. Some are graduates of institutions of higher learning; others went to military academies or improved competence through self-study. All are experts in their own profession and are the "cream of the crop." Some have awards for work in scientific research. The second-level department of an air force organ is equivalent to an organ at the prefectural or divisional level.

Sources

Sun Maoqing. Xinhua Domestic Service. "Air Force Promotes Young Cadres to New Posts." in FBIS/China, 9 Jul 84, p. K16.

Item Date

84/07/00

Objectives

MILITARY

Subobjectives

professionalization

Indicators

Military sources disclose that more than 1,600 college graduates have been appointed PLA junior officers. The new military service law, adopted in 1984, enables suitable college graduates to be selected as officers. In 1983, after graduation from 100 institutions of higher learning countrywide the graduates were enrolled by different military academies to study military sciences. They also acquired the ability to command soldiers to fight battles under modern conditions.

Sources

Beijing Xinhua. 20 Jul 84. "More College Graduates Appointed PLA Officers." in FBIS/China, 23 Jul 84, p. K7.

Item Date

84/07/00

Objectives

MILITARY

Subobjectives

professionalization

Indicators

Graduates of military academies now predominate among senior army officers; 87% and 71%, respectively, at divisional and regimental levels. Under the new military service law, graduates of military academies are the main source of officers. Military sources report more than 100 military academies and schools train junior, middle, and senior commanders and military technicians.

Sources

Xinhua. "Military Academies Fill Senior Officer Ranks." China Daily (Beijing), 26 Jul 84, p.1.

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84/07/00

Objectives

MILITARY

Subobjectives

reform

Indicators

Since the 3rd Plenary Session of the 11th CCP Central Committee and especially since Deng Xiaoping took charge of the work of the Military Commission, China has carried out military reforms. The 12th CCP National Congress called

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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for China to build the PLA into a powerful, modernized, and regularized revolutionary army. The modernization of an army is closely related to the political system, economic strength, military strategy, and scientific and technological level of a state. China has a large population, a poor foundation, and limited funds. Therefore, it should not blindly pursue large-scale and rapid modernization of the Army regardless of national economic conditions. China should further reduce the quantity and improve the quality of the Army. While reducing the standing army, China should build up the militia and reserve service. A modern military force requires cadres who are more revolutionary, younger in average age, better educated, and more professionally competent. China will emphasize education and training by strengthening education and training in military academies, successfully carrying out in-service training, and encouraging self-study. In the past, some "leftist" ideas had caused confusion in the area of army building. In the course of modernization, the Chinese army has achieved success, but it has taken crooked roads and learned historical lessons as well. The development of military science and technology requires farsightedness. Many scientific and technological discoveries and innovations have first resulted from military needs. Reforms affecting the overall situation should be decided on by the CCP Central Committee and the Central Military Commission and should be carried out under unified command. Bureaucracy and the practices of seeking personal gain by capitalizing on one's powers, of paying lip service, and of holding back unpleasant information, should be reformed immediately.

Sources

Yang Shangkun. "Building Chinese-style Modernized Armed Forces." Red Flag (Beijing) in Chinese No. 15, 1 Aug 84, pp. 2-8.

Item Date

84/07/00

Objectives

MILITARY

Subobjectives

rejuvenation of bureaucratic apparatus

Indicators

Deng Xiaoping has moved to retire aged commanders and recruit and promote better educated, younger, and more professionally oriented officers.

Sources

Christopher M. Clarke. "China's Reform Program." Current History (Philadelphia), Sep 84, pp. 254-256, 273.

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Objectives

MILITARY

Subobjectives

professionalization

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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<u>Indicators</u>	China realizes its military doctrine needs rethinking and has changed to "people's war under modern conditions." This means changes in tactics, equipment, training, education, recruitment, command and control, and logistics. China has reestablished the military academy system which was halted during the Cultural Revolution and about 20 schools now have 4-year, college-level courses for CPLA officers. By the end of 1984, 70% of all officers, from platoon commanders up, will be expected to attend one of the hundreds of lesser academies. In the future, officers will not be eligible for promotion unless they have attended a formal military academy program. The PLA has also shifted its emphasis in troop training from anti-infantry to anti-tank warfare, from single-service to combined units, and from soldiers to officers. Combined-forces exercises have increased.
<u>Sources</u>	Christopher M. Clarke. "China's Reform Program." Current History (Philadelphia), Sep 84, pp. 254-256, 273.
<u>Item Date</u>	84/09/00
<u>Objectives</u>	MILITARY
<u>Subobjectives</u>	modernization
<u>Subobjectives</u>	rejuvenation of bureaucratic apparatus
<u>Indicators</u>	Yu Qiuli, Director, PLA General Political Department, told Xinhua the PLA has achieved tremendous success in its modernization program since Deng Xiaoping assumed charge of the Central Military Commission in 1978. The PLA has improved its equipment, raised the military and political quality of its officers, and increased its combat capabilities. There also has been progress on defense-related S&T research. Young and middle-aged senior officers have been promoted since 1983's leadership reorganization and most regimental commanders in the Air Force are now less than 30 years old.
<u>Sources</u>	Xinhua. "PLA Improvements Cited." China Daily (Beijing), 18 Sep 84, p. 3.
<u>Item Date</u>	84/09/00
<u>Objectives</u>	MILITARY
<u>Subobjectives</u>	professionalization
<u>Indicators</u>	Over the next 5 years the Central Military Commission will increase by 650 million yuan (approximately \$US 320 million) its educational funding for military schools and colleges. The money will be used mainly for the development and manufacturing of simulated training apparatus, and for obtaining educational facilities. China now has more than 100 military technicians; the investment is an important step toward improving

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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	military education, training highly professional officers, and modernizing the Army.
<u>Sources</u>	Beijing Xinhua. "Military Commission Increases Funds for Schools." FBIS/China, 26 Oct 84, p. K14.
<u>Item Date</u>	84/10/00
<u>Objectives</u>	MILITARY
<u>Subobjectives</u>	professionalization
<u>Subobjectives</u>	rejuvenation of bureaucratic apparatus
<u>Indicators</u>	In remarks to the CCP Central Military Commission, Deng Xiaoping said older officers "must give way to younger, more competent leaders." Xinhua has reported the average age of regimental commanders is about 30, of division commanders about 40, and of army commanders, around 50. China's new military service law allows college graduates to receive an officer's appointment and be enrolled for additional training at a military academy after graduation. Some 1,600 college graduates received appointments in 1983.
<u>Sources</u>	Julian Baum. "China Looks for New Brass." Christian Science Monitor (Boston), 6 Nov 84, p. 9.
<u>Item Date</u>	84/11/00
<u>Objectives</u>	MILITARY
<u>Subobjectives</u>	rejuvenation of bureaucratic apparatus
<u>Indicators</u>	Younger PLA commanders (in place since the retirement of senior officers) have meant greater mobility to key command posts, and a change in strategic thinking. Younger officers are more likely to accept the new strategic thinking in place of people's war. "Age reduction" has also led to the reopening of military schools; 190 such schools are now operating. The new insistence on modern education and technical know-how is a key to PLA modernization efforts. Moreover, Deng Xiaoping has said the PLA will be a major partner in China's modernization plan.
<u>Sources</u>	"The Tiger Grows New Teeth: The Chinese Army and Its Reforms." China News Analysis (Hong Kong), no. 1274, 19 Nov 84, pp. 1-7.
<u>Item Date</u>	84/11/00
<u>Objectives</u>	MILITARY
<u>Subobjectives</u>	modernization
<u>Subobjectives</u>	rejuvenation of bureaucratic apparatus
<u>Indicators</u>	At a forum sponsored by the Central Military Commission, Deng Xiaoping urged the army to march in stride with China's economic reforms and actively participate in construction efforts. The national defense industry's capability must be fully tapped to realize the economic targets of the modernization program ahead of schedule.

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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Army-trained technicians will be welcomed by local governments when they conclude their military service; their technical know-how will contribute to local economic development. The air force, navy, and the commission in charge of national defense technology should devote some of their resources to the development of the national economy. Several naval harbors should be opened for non-military use and others turned over entirely to civilian use to increase China's port capacity. The Air Force should divert some resources to civil purposes to improve civil aviation, and the national defense industry should produce more civilian goods. Deng also called for the promotion of more outstanding young and middle-aged officers to top army posts.

Sources

"Deng Urges Army to Support Reforms."
Beijing Review, no. 46, 12 Nov 84, p. 6.

Item Date

84/11/00

Objectives

MILITARY

Subobjectives

industries

Indicators

After the 3rd Plenary Session of the 11th CCP Central Committee, China Aircraft Accessory Institute brought its own technological superiority into play, shifted military-industrial technology to technology for civilian use, and achieved remarkable economic benefits. The institute used its technological superiority to select products for civilian use which were technologically difficult to develop and which were much-needed for the national economy. This is called "technologically similar and technically interlinked." Applying aircraft turbine expansion cooling techniques to the recovery of oilfield associated gas is one such example. Developing products for civilian use has increased the institute's income---the 1983 output value for products for civilian use increased more than 16 times over 1978. They have already been listed as a test point for the reform of scientific and technological systems, and they will completely eliminate funded operating expenses and achieve economic independence.

Sources

Chen Zujia. "Achieving Economic Independence by 'Developing the Manufacture of Products for Civilian Use to Support the Manufacture of Products for Military Use;' A Visit to the China Aircraft Accessory Institute." Renmin Ribao (Beijing), 19 Nov 84, p. 3 in JPRS-CEA-85-032, 1 APR 84, pp. 129-132.

Item Date

84/11/00

Objectives

MILITARY

Subobjectives

rejuvenation of bureaucratic apparatus

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

Continued

Indicators Forty officers at the corps level or above retired from the PLA General Staff in December 1984. Most of these officers were over the age of 60.

Sources John F. Burns. "40 High Officers Retire in China in Army Shake-up." New York Times, 31 Dec 84, pp. A1, A4.

Item Date 84/12/00

Objectives

Subobjectives

Indicators

MILITARY

civil-military relations

Civil-military relations in China are best characterized not in terms of the politics of confrontation between the two institutions, but as a process of coalition politics among factions within each that cut across institutional lines. One factor contributing to this porosity is the existence of a substantial numbers of the Chinese elite who have held high-ranking positions in both military and nonmilitary institutions. The second factor contributing to the porosity of boundaries between the military and the party is the membership of virtually all high-ranking Chinese military leaders in the CCP. Indeed, given the highly political role that has traditionally been accorded the army and, hence, the need for absolute loyalty to the party's wishes, it would be surprising if this overlap in memberships between party and army were not the case. In such a situation, it becomes impossible for the party to be overthrown by the military. Recently steps have been taken in China to separate the army from politics and reduce the number of party members in the army. Should these steps be carried further, party and army functions would become more sharply differentiated. The possibility that confrontation between the two institutions would replace coalition formation among factions within each will be enhanced.

Sources

Dreyer, June Teufel. "Civil-Military Relations in the People's Republic of China." Comparative Strategy (Washington), vol. 5, n. 1.

Item Date

85/00/00

Objectives

Subobjectives

Subobjectives

Indicators

MILITARY

weapons

leadership

In 1982, Chinese shipyards built 1 million tons of merchant ships, an 11.9 percent increase over the previous year; by 1983, China had built up its merchant marine from 1 million tons into a modern fleet of some 10 to 11 million tons. This rapid expansion of the merchant marine will undoubtedly contribute significantly to the development of the navy. The Chinese navy is still deployed in a coastal defensive rather than a

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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blue-water offensive posture. Deng is now 80 years old. The longer he lives, the better it will be for his proteges Hu Yaobang and Zhao Ziyang, and for the persistence of his policies, and for political stability in China. After he dies, China's domestic situation will likely change. The groups that make up Deng's faction might splinter, and opposition to the Hu and Zhao forces might increase. Given such circumstances, the army would exert considerable pressure on Deng's successors to change their pragmatic policies. In any event, China's political stability will be based on a collective leadership and will be dependent on compromise among the various groups and factions. The military will continue to play a decisive role in China's political future, and the party will not have absolute control over the army.

Sources Wang, Shu-shin. "Revamping China's Military." Problems of Communism (Washington, DC), March-April 1985, pp. 111-117.
Item Date 85/00/00

Objectives MILITARY
Subobjectives modernization
Subobjectives professionalization
Indicators All-round reform is to be carried out in the People's Armed Police. This has been decided by the Chinese military authorities. 1) The structure of the troops should be reformed. It is necessary to step up the modernization of equipment and to develop and install more modern monitoring, warning, communications, and information systems. It is also necessary to train a large number of professional personnel who are able to master the modern equipment. 2) The ranks of police cadres should be built up. 3) Rules and regulations should be formulated. 4) The Armed Police Force should make contributions to the four modernizations.

Sources "Yang Dezhi Urges Reform in Armed Police Force." Hong Kong Ming Pao, 24 Jan 85, p. 5, in FBIS/China, 25 Jan 85, p. W2.
Item Date 85/01/24

Objectives MILITARY
Subobjectives problems
Subobjectives leftist
Indicators In August 1984, Yang Shangkun, vice-chairman of the CMC, spoke of "some PLA comrades who have not yet truly shifted their attention to modernization." Yang said the problem of eliminating "pernicious leftist influence" remains even among those officers who support the rectification campaign. The Party Central Committee decided to take a more lenient stance

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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towards CPLA leftists since they are old enough to withdraw from their posts. There have been reports of regional military commanders in Shenyang, Nanjing, Tibet, Hainan, Dalian and Shanghai apologising to provincial party leaders for "past Left errors."

Sources

Lee, Mary. "The Economic Front." Far Eastern Economic Review (Hongkong), 21 Feb. 85, pp. 24-25.

Item Date

85/02/00

Objectives

MILITARY

Subobjectives

civilian

Subobjectives

airfields and ports

Indicators

The large number of military facilities that are playing a new and larger role in developing the national economy can be seen from the army and civilian joint use of many military airports, port wharves, and special railways and the opening of some restricted military areas. So far, a total of 47 airfields have been released by air force and navy aviation units for use by civilian aircraft. In addition the air force has turned over Shaanxi's Xianyang airport to local people. The navy has allowed civilian ships to jointly use 5 military ports and 12 military wharves from Lushun in the north to Zhanjiang in the south and has made active preparations to turn over 4 more wharves for local civilian use. In eastern China--- Jiangsu, Zhejiang, Anhui, Jiangxi, Fujian, and Shanghai--- alone scores of special railways have been opened for local civilian use and preparations are being made to open still more. According to incomplete statistics of the General Staff Department, the whole army has readjusted the disposition of a number of units under the division level and turned over or evaluated barracks totaling 190,000 square meters and land totaling 14,000 mu and closed or made less visible some 5,000 military fortifications. The PLA will make further efforts to support and take part in national construction.

Sources

Beijing Xinhua. "PLA Releases Airfields, Ports for Civilian Use." 17 Feb 85, in JPRS. China Political, Sociological & Military Affairs, 85-024, 13 March 85, pp. 112-113.

Item Date

85/02/00

Objectives

MILITARY

Subobjectives

streamlining

Subobjectives

economic

Indicators

Yang Dezhi, chief of the PLA general staff called for building a modern, revolutionary and regular army with distinctive Chinese features. Measures to be taken includes: streamlining the army to reduce the burden on the people; turning over 59 airfields, a number of naval ports, 39

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military installations and many army camps to civilian use; dispatching large numbers of airplanes, naval ships and craft and vehicles to help with transport, tree planting, geological surveys, rescue and relief, and cloud seeding; planting 28.8 million saplings and air-seeding 330,000 hectares of land; training 600,000 soldiers in both military and professional skills; and assisting in constructing 1,100 national or local key projects and helping more than five million rural households develop commodity production.

Sources

China Daily (Beijing), vol. 4, no. 1148, 31 Mar 85.

Item Date

85/03/00

Objectives

MILITARY

Subobjectives

industry

Indicators

Chen Pin, Director of the National Defense Science, Technology and Industry Commission stressed that the defense industry must shift its main efforts to building up the national economy while ensuring the manufacture of military supplies to help meet the grand goal set by the 12th Party Congress. According to the statistics from only 15 provinces and cities, in 1984, more than 8,000 items of military technology valued at 430 million Rmb were transferred to civilian industry. According to Chen, China should take full advantage of advanced military equipment for the technological transformation of the civilian industries, such as petroleum, communications and transport, chemicals, electric power, coal, building materials, the light, textile and food industries and so on.

Sources

The Peking Informers (Hongkong), vol. XXXXX, no. 6, 16 March 1985, pp. 5-6.

Item Date

85/03/16

Objectives

MILITARY

Subobjectives

industries

Indicators

The Chinese military authorities have decided to carry out all-round reform in the People's Armed Police (PAP). Rules and regulations must be formulated and the forces must be reorganized and the ranks increased. Monitoring, warning, communications, and information systems equipment must be modernized and personnel must be trained to operate the new equipment, so that the PAP can contribute to the four modernizations.

Sources

China Daily (Beijing), 28 March 1985.

Item Date

85/03/28

Objectives

MILITARY

Subobjectives

modernization

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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Indicators

China's leadership initiated the military modernization program after the 3rd Plenary session of the 11th CCP Central Committee in December 1978. Every aspect of the Chinese military system, including doctrine, strategy, tactics, the officer corps, and technology has undergone thorough reform. China is pursuing a two-pronged approach of 1) improving current, in-stock "platforms," such as their T-59 tanks; and 2) considering the selected importation of Western military-related technology. China's current budgetary priorities rank military modernization as the fourth of the "Four Modernizations."

Sources

Godwin, Paul. "China's Military Modernization." SAIS China Forum lecture, 5 April 1985.

Item Date

85/04/05

Objectives

MILITARY

Subobjectives

leadership

Indicators

The present 11 military regions will be reduced to 7. Eighty percent of high-ranking cadres of the regions are new appointments. The trend is for the new military leaders to be better educated and more professionally competent. The commanders and political commissars assigned to the military regions are as follows: 1) Beijing Military Region: commander-Qin Jiwei (retained in his post), political commissar-Yang Baibing (formerly deputy political commissar of the Beijing PLA forces); 2) Shenyang Military Region: commander-Liu Jingsong (new appointment), political commissar-Liu Zhenhua (new appointment); 3) Guangzhou Military Region: commander-You Taizhong, political commissar-Zhang Zhongxian (new appointment); 4) Nanjing Military Region: commander-Xiang Shouzhi (retained in his post), political commissar-Fu Kuiqing (former political commissar of the Fuzhou PLA forces); 5) Jinan Military Region: commander-Li Jiulong (new appointment), political commissar-Chi Haotian (former deputy chief of the General Staff); 6) Lanzhou Military Region: commander-Zhao Xianshu (new appointment), political commissar-Li Xuanhua (formerly director of the Political Department of the Urumqi PLA forces); 7) Chengdu Military Region: commander-Fu Quanyou (new appointment), political commissar-Wan Haifeng (new appointment).

Sources

Wen Wei Po (Hong Kong), 14 June 85, p 2, in FBIS-CHI-85-115, 14 June 1985, p. W1.

Item Date

85/06/00

Objectives

MILITARY

Subobjectives

demobilization

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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Indicators

The Chinese government has been reducing its troops over the past several years. The reduction of one million serves as a continuation of the military reform policy. What is the basis for such a sizable cut in the Armed Forces? This question was clearly answered by CPC Central Committee General Secretary Hu Yaobang and Central Military Commission Chairman Deng Xiaoping during the plenary session of the commission's enlarged meeting on 4 June 1985. 1) The current international environment has been considered. The arms race between the two superpowers increases the chance of war, but this is more than offset by opposition to war throughout the world. Therefore, it is likely that large-scale world war will not break out for a relatively long time. 2) The decision is made in the light of China's central task, economic construction. The troop reduction of one million, is in line with the principle of concentrating the nation's efforts on economic construction. Once the civilian economy is modernized, national defense modernization will become easier.

Sources

Yang Fan. "State Affairs Forum", Radio Talk (Beijing), 26 June 85, in FBIS-CHI-85-126, 1 July 1985, p. K8.

Item Date

85/06/00

Objectives

MILITARY

Subobjectives

demobilization

Indicators

The Chinese government has decided to reduce the People's Liberation Army (PLA) by one million, or nearly one quarter of its force. Deng Xiaoping announced the massive demobilization at an enlarged meeting of the Central Military Commission on 4 June 1985. The decision will be gradually implemented over the next two years. Senior officers who attended this meeting voiced full support for the party's army reform decisions.

Sources

China Daily (Beijing), v. 5, n. 1210, 12 June 85, p.1.

Item Date

85/06/04

Objectives

MILITARY

Subobjectives

reorganization

Indicators

China has made an important decision on structural reform. The existing 11 military regions will be reorganized into 7, and major changes will be made in the leading bodies of the military regions. Among the 11 existing military regions, the three major ones -- the Beijing, Guangzhou, and Shenyang Military Regions -- will continue to exist. The Hubei Provincial Military District, which is subordinate to the Wuhan Military Region, and the Sanxia (Provincial)

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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Military District (new), will be placed under the Guangzhou Military Region. The Wuhan Military Region (apart from the Hubei Military District) will be merged with the Jinan Military Region; the Urumqi Military Region will be merged with the Lanzhou Military Region; the Kunming Military Region will be merged with the Chengdu Military Region; and the Fuzhou Military Region will be merged with the Nanjing Military Region.

Sources

Wen Wei Po (Hong Kong), 12 June 85, p. 2, in FBIS-Chi-85-113, 12 June 85, W2.

Item Date

85/06/12

Objectives

Subobjectives

Indicators

MILITARY

reorganization

In the General Staff Department Yang Dezhi continues as chief of the general staff, but most of the former deputy chiefs have retired. Only Xu Xin continues as deputy chief of the general staff. Xu Huizi and He Qizong, are newly appointed deputy chiefs of the general staff. Xu Huizi was formerly commander of 39th Army. Han Huaizhi, formerly assistant chief of the general staff, has been promoted to deputy chief of the general staff. In the General Political Department, Yu Qiuli continues as the director, but most of the former deputy directors have retired. Zhou Keyu and others have been appointed new deputy directors. In the General Logistics Department, Hong Xuezhi continues as director, but most of the former deputy directors have also retired. Only Xu Guangyi continues to hold the post of deputy director. The newly appointed deputy directors who have appeared in public are Zong Shunliu and Zhao Nanqi. Ding Henggao has been appointed to head the Commission of Science, Technology, and Industry for National Defense. Shen Rongjun and Xie Guang, have been added to the commission and Nie Li (female), a former deputy, has already been transferred to be the deputy head of the newly established State Council Leading Group for Reinvigorating the Electronic Industry.

Sources

Ta Kung Pao (Hong Kong), 12 June 85, p. 3, in FBIS-CHI-85-113, 12 June 85, W1.

Item Date

85/06/12

Objectives

Subobjectives

Indicators

MILITARY

leadership

Biographic information is provided on the following new high-ranking military officers: 1) Xiang Shouzhi retains his post as commander of the Nanjing Military Region. He started his military career in the 25th Army under the command of Xu Donghai, who was later a senior general. During the Long March, Xiang was a junior cadre in the 75th Division of the 25th Army. In the autumn of

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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1935, he arrived at the soviet are in northern Shanxi. In 1945, he was the commander of the 10th Regiment of the 1st Subregion in the Taihang Military Region. In 1948, he was the commander of the 26th Brigade in the 9th Column of the Shanxi-Hebei-Shandong-Henan Field Army and commander of the 44th Division of the 15th Army in the "2d Field Army." During the Korean war, he was a division commander. After the Korean war, he was gradually promoted to military region commander. 2) Zhou Keyu has been appointed permanent deputy director of the PLA General Political Department. Zhou Keyu, 50, is now a deputy to the Sixth NPC. He was the Political Commissar of the Jinan Military Region, director of the CPC All-Army Party Consolidation Office, and then assistant to the director of the PLA General Political Department. 3) Hu Huizi, 49, was formerly an army commander in the Shenyang Military Region. He is now permanent deputy chief-of-staff. 4) He Qizong, 44, was formerly a deputy army commander in the Kunming Military Region. He was decorated during the Sino-Vietnamese conflict and has been appointed PLA deputy chief of general staff. 5) Zhao Nanqi, 50, is the newly appointed deputy director and concurrently deputy political commissar of the PLA General Logistics Department. He is a native of Yanbian, Jilin, an area where people of Korean nationality live in compact communities. Since he was born and once worked in Yanbian, he is very familiar with the situation in the northeast and in the Sino-Korean-Soviet border area. Zhao was deputy secretary of the Jilin Provincial CPC Committee and concurrently first secretary of the Yanbian Korean Nationality Autonomous Prefecture, vice governor of Jilin Province, and then political commissar of Jilin Military District.

Sources

Ying Mei-chi. "New High-Ranking Military Officers of the Military Regions", Kuang Chiao Ching (Hong Kong), no. 154, 16 July 85, p. 17, in FBIS-CHI-85-113, 18 July 85, W1.

Item Date

85/07/00

Objectives

PARTY

Subobjectives

democratization

Indicators

The proportion of CCP members in 6th National Committee, CPP-CC drops from 60% to 40% (5th National Committee). The CCP-CC decides that its members, members of the Central Advisory Commission, and the Central Commission for Discipline Inspection and CCP members in party or government leadership posts will not be eligible for election to the CPP-CC National Committee save for a few posts.

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<u>Sources</u>	"Fewer Communists in CPPCC." Beijing Review, 9 May 83, pp. 5-6.
<u>Item Date</u>	83/05/00
<u>Objectives</u>	PARTY
<u>Subobjectives</u>	legalization
<u>Indicators</u>	China has opted for the gradual development of a basic criminal and civil code. Laws governing operations of foreign firms in China are being promulgated. The current State Constitution (1982) places the CCP within the legal structure of the state (party cannot override all state laws and regulations).
<u>Sources</u>	Harry Harding. "The Transformation of China." Brookings Review (Washington, DC), vol. 2, no. 3 (spring 1984), pp. 3-7.
<u>Item Date</u>	84/00/00
<u>Objectives</u>	PARTY
<u>Subobjectives</u>	professionalization
<u>Subobjectives</u>	bureaucratic efficiency
<u>Indicators</u>	At the provincial level, a 34 percent reduction in personnel has been made in CCP standing committees and among governors and vice governors. Those with tertiary academic qualifications have increased from 20 percent to 43 percent of all cadres. Forty-four percent of the cadres are newly promoted. Seventy-one percent of the newly appointed have a tertiary level education. Thirty-six percent of leadership posts in provincial offices and departments were abolished. Almost 1/2 the cadres are new to their jobs; of these 1/3 are 45 or younger, 2/3 have university degrees or equivalent.
<u>Sources</u>	"Reshaping the Administration." China News Analysis (Hong Kong), no. 1260, 7 May 84, pp. 1-10.
<u>Item Date</u>	84/00/00
<u>Objectives</u>	PARTY
<u>Subobjectives</u>	cadre management reform
<u>Indicators</u>	Various levels of the party have made important advances in abolishing the personnel system of guaranteeing officials lifelong tenure--a breakthrough in promoting and demoting cadres on a large scale. It is still necessary to systematize the practice of having cadres ready to work both at the top and grassroots levels. Some cadres who have reached retirement age do offer their posts to younger cadres; others must be dismissed from office because they have violated the law or have committed other mistakes. It is important to settle how to deal with cadres whose work is not good, and are without learning or skills. There is a need to introduce the job responsibility system to cadres since all are

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

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equal before the system which will measure performance both qualitatively and quantitatively. It will promote or demote and mete out rewards or punishments in accordance with assessments.

Sources

Zhu Yan. "Cadres Must Be Ready To Work Both at the Top and at the Grassroots." Hongqi (Beijing), in FBIS/China, 3 May 84, pp. K11-12.

Item Date

84/04/00

Objectives

PARTY

Subobjectives

cadre selection

Indicators

The CCP-CC has called for changes in the selection and promotion of cadres. Promotion to leading posts will be geared to cadres who pioneer reforms. Stress will not be placed on practical experience and seniority at the expense of general and professional knowledge; personal relationships and the opinions of individual officials will not outweigh majority opinion or the skills needed at any moment. Efforts to eliminate "leftist" influence in personnel decisions and promote intellectuals must be continued. Promoting "...reformers to leading posts according to the principle of making cadres revolutionary, younger, better educated and more competent will rapidly improve the performance of an enterprise, a region or a department."

Sources

"Party Calls for Promotion of Reform Pioneers." China Daily (New York), 5 May 84, p. 1.

Item Date

84/05/00

Objectives

PARTY

Subobjectives

consolidation/rectification

Indicators

The CCP Central Discipline Inspection Commission, following the discovery of serious irregularities, announced drastic shake-ups of the party leadership in Yuncheng Prefecture, Shanxi Province, and Longxi County, Fujian Province. Though local-level reorganization of personnel under the party's consolidation drive was not scheduled to begin until the end of 1984, the commission decided to begin immediate disciplinary action because of flagrant disregard of Party directives and violations of law in the two abovementioned jurisdictions. Offending party cadres were punished for their abuses of power, resulting in reshuffling party leadership.

Sources

"Party Cadres Punished for Abuse of Power." China Daily (Beijing), 12 May 84, p. 1.

Item Date

84/05/00

Objectives

PARTY

Subobjectives

cadre selection

Indicators

A leading member, CCP-CC Organization Department says personnel departments at all levels should, as quickly as possible, select and

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place in leading posts a large number of reformers who can create a new situation in work to make the best use of talented people. Cadre selection and promotion is of primary importance to the modernization effort and is a matter of picking the best among the intellectuals.

Sources

"Reformers Placed in Leading Posts." Beijing Review, 4 Jun 84, p. 7.

Item Date

84/06/00

Objectives

PARTY

Subobjectives

rejuvenation of bureaucratic apparatus

Indicators

The CCP-CC delegates authority for 2/3 of the duties of senior personnel to lower-level committees. Lower-level authorities will now have greater power in appointing and promoting officials.

Sources

"China to Assign Powers To Lower Levels in Party." New York Times, 21 Jul 84, p. A6.

Item Date

84/07/00

Objectives

PARTY

Subobjectives

consolidation/rectification

Indicators

A CCP Central Party Consolidation Guidance Commission circular outlines the main tasks of the third stage in party consolidation. This stage will last about 3 months and require party organizations to improve party work (based on what members have learned in the first two stages). Leaders of party committees should try to eliminate the influence of "left" ideology and conservatism since no faction in the Cultural Revolution was correct. A thorough investigation of the major bureaucratic cases that seriously impede progress and cause heavy losses to the state due to poor management, must be instituted. All party organizations should move to solve major problems in their leading organs.

Sources

"Third Stage of Party Rectification Outlined." China Daily (Beijing), 4 Jul 84, p. 1.

Item Date

84/07/00

Objectives

PARTY

Subobjectives

cadre management reform

Subobjectives

decentralization

Indicators

The CCP-CC Secretariat decided to reform the cadre management system and delegate the power of cadre management to lower levels. A new system, with each administrative level responsible for managing its cadres will be adopted. This will reduce the scope of cadre management by the central authorities and in principle, central authorities will supervise only principal leading cadres of the next lower level. The number of cadres under central authorities' supervision will be reduced by 2/3 after the new cadre management

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

Continued

system is instituted--and will decentralize cadre management.

Sources

Beijing Xinhua Domestic Service. "Further on Reform of Cadre Management System." in FBIS/China, 25 Jul 84, p. K1.

Item Date

84/07/00

Objectives

PARTY

Subobjectives

cadre management reform

Indicators

The cadre management system will be reformed by letting each level exercise management, assume responsibility, and delegate appropriate cadre management power to lower levels. In principle, the central authorities will manage only principal cadres at the next lower level. This upholds the principle of 'cadre management by the party' and will allow for opening up the ranks for selecting and promoting mature and competent personnel needed in the modernization program.

Sources

"Resolutely and Appropriately Transfer Limits of Authority Over Cadre Management to Lower Levels." Renmin Ribao (Beijing), in FBIS/China, 23 Jul 84, pp. K1-5.

Item Date

84/07/00

Objectives

PARTY

Subobjectives

decentralization

Indicators

The CCP-CC Secretariat decided to decentralize personnel management effective 1 Aug 84. Under the new system cadres under the direct management of the CCP-CC will be mainly senior officials of the level of vice minister of government ministries and provincial vice governors and above, and leading cadres of big and influential enterprises, institutions of scientific research and major institutions of higher education. The next lower level of cadres, formerly managed by the central organizational department will be managed by the ministries, provinces, regions, municipalities and other institutions of the same level. The changes will cut the number of cadres managed directly by the CCP-CC by 2/3 and allow personnel work to be improved and the system to be made more flexible. Decentralization will also remove the obstacles in the way of promoting capable young cadres and will expedite building a younger, more competent, and expert body of revolutionary cadres. It will also provide an organizational guarantee for economic reform and growth.

Sources

"Major Step to Change Personnel Management." China Daily (Beijing), 22 Jul 84, p. 1.

Item Date

84/08/00

Objectives

PARTY

Subobjectives

rejuvenation of bureaucratic apparatus

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

Continued

Subobjectives

Indicators

recruitment

To assure continued growth in party membership, it is necessary to recruit females, minority nationalities and intellectuals, and to eliminate "leftist ideology." It is also important to rectify the problem of the "excessively low proportion of party members under 25 years of age." Responsible comrades of many party organizations are too busy with routine work and often unconcerned about demands for progressive young people to join the party. Four kinds of mentality hamper these responsible persons from attaching importance to this question: they do not understand it is a major issue related to party life; they often set excessive demands on advanced young people and then say they do not meet criteria for party membership; they assign excessively heavy tasks to young party members, and they often fail to attach importance to leadership over the work of the Communist Youth League (CYL) or to first recruit party members from among outstanding CYL members. Very few CYL members are members of the CCP and in some areas very few CYL branch secretaries are even CCP members.

Sources

Renmin Ribao (Beijing), 27 Aug 84, in FBIS/China, 27 Aug 84, pp. K1-3.

Item Date

84/08/00

Objectives

PARTY

Subobjectives

consolidation/rectification

Indicators

In late 1982 the CCP announced its intention to reevaluate the qualifications of and reregister all CCP members to root out leftist and corrupt elements. A crackdown on crime ensued with hundreds of offenders executed and thousands more prosecuted and imprisoned. In Oct 83 senior CCP leaders announced the campaign to combat "spiritual pollution." When overzealous lower-level officials and professional CCP puritans took over, Hu Yaobang denounced the campaign and shifted the focus to stamping out pornography and other corrupting influences, assuring a modicum of ideological orthodoxy in cultural and artistic circles.

Sources

Christopher M. Clarke. "China's Reform Program." Current History (Philadelphia), Sep 84, pp. 254-256, 273.

Item Date

84/09/00

Objectives

PARTY

Subobjectives

cadre management reform

Indicators

The party should adopt a relaxed attitude toward promoting to leading posts at various levels young people who are politically reliable, innovative, educated, have a pioneering spirit,

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

Continued

and are bold in carrying out reforms. This is in accordance with the requirements of the "4 transformations" of cadres.

Sources

"Boldly Select and Use Capable People Who Dare To Carry Out Reforms and Make Innovations." Renmin Ribao (Beijing), in FBIS/China, 19 Sep 84, pp. K8-10.

Item Date

84/09/00

Objectives

PARTY

Subobjectives

consolidation/rectification

Indicators

CCP Central Commission for Guiding Party Rectification Circular No. 10 states that all units engaged in party rectification, after basically fulfilling the tasks for the rectification and correction phase, may immediately enter the next phase and reregister party members. The second phase will involve the reassessment of members in party organizations from the top of the government to grass-roots levels. Over the next 2 years, all 40 million party members will face reselection and reregistration in the party. The first stage involved study of the CCP-CC's 1983 decision to carry out consolidation and a period of criticism and self-criticism by members. Central and local forces and the Armed Forces will be involved in this first stage; the second stage will include all members. A party member's performance since the 3d Plenary Session of the 11th CCP CC in 1978 will be important in the reassessment. Members will be shown written assessments of themselves and must be able to defend themselves. They can use witnesses, appeal to superior party organizations, or reserve their disagreements. Those deemed unsuitable can be given time in which to study, reform, and repent. Those who have made grave errors and refuse to repent despite education and help should be dealt with severely.

Sources

Beijing Xinhua. "Party Rectification Shifting into 'Second Phase.'" in FBIS/China, 26 Nov 84, pp. K1-3. "All Party Members Will Face Re-registration." China Daily (Beijing), 27 Nov 84, p. 1.

Item Date

84/11/00

Objectives

PARTY

Subobjectives

consolidation/rectification

Indicators

According to a Hongqi (Beijing) commentary, the first phase of party rectification has progressed smoothly and successfully. Since Jan 83, bureaucrats who have caused losses to the state, and party members who have abused their positions for personal gain have been punished. There have been efforts to remove "leftists" from leading positions and to seek out party members

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

Continued

who prospered due to loyalty to the "Gang of Four." Middle-aged and young officials who are competent and devoted to modernization have been promoted. Democracy in the party has been increased and rectification has settled some ideological differences. State ministries and headquarters of different provinces, autonomous regions, municipalities, and the army, are the leading bodies of the 1st phase of party rectification; they shoulder the main tasks of the party and their success is important.

Sources

"Progress in Party Rectification." China Daily (Beijing), 8 Nov 84, p. 4.

Item Date

84/11/00

Objectives

PARTY

Subobjectives

consolidation/rectification

Indicators

According to a 22 Nov 84 circular released by the CCP-CC, all 40 million CCP members must reapply to the party over the next 2 years as part of a move to discipline or remove members who have committed crimes, indulged in corruption, or made grave ideological errors. This reapplication requirement is part of a party consolidation drive that began in 1983 at the central level, and is aimed at achieving ideological unity, rectifying the party's work style, strengthening discipline, and purifying the party's organization, as well as removing "leftist" influences. Consolidation is aimed at middle-level party groups and will focus on grassroots organizations next year. Re-registration "will be completed generally within a month or so," though the exact time of each phase was not specified. Those found unsuitable for party membership will be given time in which to study and mend their ways; those who have made grave errors and refuse to reform will be expelled. If crimes are exposed during reassessment, the guilty party member could be jailed. A Party member's performance since the 3d plenary session of the 11th CCP CC in 1978 will have important bearing in the reassessment. Members must be shown written assessments of themselves and be able to defend themselves--using witnesses and appeals to superior party organizations, or stand by their disagreements.

Sources

"Party Members Must Re-register." Beijing Review, no. 51, 17 Dec 84, p. 6.

Item Date

84/11/00

Objectives

PARTY

Subobjectives

treatment of intellectuals

Indicators

Renmin Ribao (Beijing) reports the Organization Department, CCP CC urged party organizations to admit more intellectuals, particularly middle-aged and young intellectuals.

CHINESE MILITARY AND MILITARY ECONOMIC REFORM

Continued

The admission of large numbers of natural and social scientists to the party will guarantee strong leadership in the current modernization drive. In peacetime, those who work for the interests of the people, for the growth of productivity, and for the cause of socialist construction, are qualified candidates for party membership. Deeds should be the first priority in judging intellectuals' applications.

Sources

"Party Branches Urged to Admit More Intellectuals." China Daily (Beijing), 22 Nov 84, p. 1.

Item Date

84/11/00

Objectives

PARTY

Subobjectives

treatment of intellectuals

Indicators

Renmin Ribao (Beijing) reports the CCP Central Committee "has urged party organizations across the country to admit more intellectuals." This is both an ideological shift and a practical move. Party cadres in factories and towns supervise the implementation of market-oriented reforms and the infusion of technology. It is assumed that educated people are more likely to promote than resist changes. Intellectuals have a material interest in improving relations with the CCP since the perks accompanying a party card are desirable considering the generally poor pay scale of intellectuals. Intellectuals, who are defined as college graduates, presently constitute only 4% of the CCP; of the 22 million rural CCP members, nearly 70% have only a primary education.

Sources

"The Party Wants Brains." The Economist (London), 15 Dec 84, p. 36.

Item Date

84/12/00

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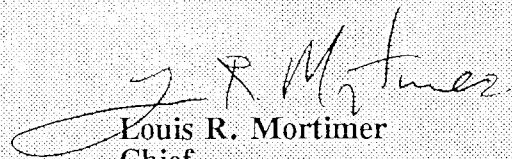
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CHINESE POLITICAL, ECONOMIC, AND MILITARY REFORMS

Objectives	ECONOMIC
Subobjectives	five-year plan
Indicators	The proposed 7th 5-year plan for 1986-90 calls for a restrained annual growth rate of 7 percent and a shift from direct to indirect state management control. In general, targeted production levels for 1990 will be twice those of 1980, quadrupling by 2000. Chinese economic planners hope to increase foreign trade by 40 to 50 percent, to continue the "open door" policy for foreign investment, and to expand the use of foreign technology. In the spring of 1986, the final detailed draft of the 1986-1990 plan will be presented to the National People's Congress for approval. The proposal also calls for maintaining the "socialist character" of the Chinese economy by preserving the dominance of the state production and distribution system.
Assessment	If the private sector continues to improve over the state sector in efficiency and productivity as it has in the past few years, it will be more difficult to maintain the dominance of the state production and distribution system. It also will be a major challenge to control the economic growth rate over the next 5 years to meet the target of 7 percent. A preview of the 1986-1990 5-year plan reveals that the reformers are still politically firm and Deng's reform programs will be carried forward into 1990.
Sources	Baum, Julian. "China's New Economic Plan to Carry Forward Deng's Reforms." <u>Christian Science Monitor</u> (Boston) 23 September 1985, p. 13.
Item Date	85/09/23
Objectives	MILITARY
Subobjectives	demobilization
Indicators	Yang Shangkun, Vice Chairman of the Party Military Commission, stated on 5 July 1985, that China's Armed Forces will be at their lowest numbers ever after a cut of 1 million. The number of frontier guards and the troops in Fujian Province opposite Taiwan have been greatly reduced. Yang claims that these cuts reflect China's determination to preserve world peace. Domestically, the government is determined to concentrate its financial and material resources on economic construction. This decision is also in keeping with the need to modernize the Armed Forces. Staff cuts will

CHINESE POLITICAL, ECONOMIC, AND MILITARY REFORMS

Continued

mainly affect the General Staff, the General Political, and General Logistics Departments, the National Defense Science, Technology and Industry Commission and major military area commands, and their subordinate organizations. Outdated equipment will be phased out and a number of military installations closed. Efforts to form combined arms units made up of various services and arms will be stepped up. The average age of army level commanders is around 50, division level commanders around 40, and regimental level commanders around 30. Chinese leaders indicated that, although they believe that the danger of war still exists, it is unlikely that a large-scale war will break out for a relatively long time. China needs a peaceful environment to concentrate its effort on economic construction and the four modernizations. This large reduction of personnel serves as a continuation of the military reform policy. Updating weapons and tactics and recruiting younger and better-educated military personnel will enable the Chinese to reduce the number of troops and still be well prepared for defense.

Assessment

Sources

Item Date

Objectives

Subobjectives

Indicators

Assessment

Sources

Item Date

Objectives

Subobjectives

Indicators

Liu Huinian. "Yang Shangkun Discusses Cuts in PLA Forces." Xinhua (Beijing), 5 July 85, FBIS/China, 5 July 1985, p. K9.

85/07/05

MILITARY

budget

Radio Beijing reported that China has reduced the ratio of defense spending in the total budget from 16.3 percent to 11.9 percent in 1985. The Government will spend \$360 million to resettle and reemploy the 1 million PLA personnel due to be demobilized.

The PLA budget cut is in line with Chinese policy on economic reform. China wants to conserve financial resources in order to concentrate on economic construction.

Jane's Defence Weekly (London), Vol. 4, No. 2, 13 July 1985, p. 72.

85/07/13

MILITARY

doctrine

China's military doctrine is adapting to modern conditions, but the PLA will remain

CHINESE POLITICAL, ECONOMIC, AND MILITARY REFORMS

Continued

under party control. Because China's military doctrine and tactics are now formulated more often by military professionals, it is clear that the PLA will have less interference from the party. Since the death of Mao, China has adopted the strategy of active defense, abandoning the notion of letting invaders in to "swallow them in a sea of people's war." The militia is playing a more important part in active defense. The PLA is emphasizing antitank training rather than infantry operations, and officers are expected to exhibit more operational flexibility. Under the new strategy, the three services have begun to place greater emphasis on mobility in war and adaptability to fluid battle conditions.

Assessment

China's doctrinal adaptations are an important foundation for its future defense and crucial to military modernization.

Sources

Joffe, Ellis and Segal, Gerald. "The PLA Under Modern Conditions." Survival (London), Vol. XXVII, No. 4, July/August 1985, pp. 146-157.

Item Date

85/08/00

Objectives

MILITARY

Subobjectives

weapons and equipment

Indicators

The PLA must operate within China's limited military budget, and special efforts are being made to emphasize cheaper, defensive technologies. Military industry has been freed for civilian production and produces profits which can be used for defense spending. China's foreign military sales, mainly to the Middle East, also produce revenue. Chinese leaders have made it clear that military modernization is not based on large-scale foreign purchases, but some selective purchases have been made to obtain access to superior foreign technology. China has purchased avionic equipment from Britain's Marconi Company; radar, navigation systems, communications equipment and helicopters from US firms; and helicopters and radar systems from France. In early 1985, negotiations were also underway for China's purchase of sophisticated naval warfare equipment from the United States. The Chinese have made use of existing weapons platforms such as tanks to which they have added improved guns, superior

CHINESE POLITICAL, ECONOMIC, AND MILITARY REFORMS

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Assessment	armor, infra-red night vision devices, stabilized turrets, laser range-finders and more powerful engines. In addition, selective use of high technology, especially in the form of increasingly available and inexpensive microcomputers, has allowed China to make rapid progress in critical areas.
Sources	Chinese leaders have decided that the PLA must live within the boundaries set by civilian budget planners, hoping that the expanding economy will eventually provide for expansion in the defense sector.
Item Date	Joffe, Ellix and Segal, Gerald. "The PLA Under Modern Conditions." <u>Survival</u> (London), Vol. XXVII, No. 4, July/August 1985, pp. 146-157.
Objectives	85/08/00
Subobjectives	MILITARY
Indicators	corruption
	"Unhealthy practices" have prevailed since the beginning of the PLA reorganization and streamlining drive. These practices include rush promotions, hasty recruitment of new party members, indiscriminate distribution of state funds and properties, and transferring the children and relatives of high-ranking military officers to new posts or arranging jobs for them. Violations of law and discipline have become extremely serious problems. On 13 August 1985, the Discipline Inspection Commission of the Party Military Commission convened a meeting of the responsible people of the PLA General Staff Department, General Logistics Department, General Political Department, and the discipline inspection commissions of various major PLA units stationed in Beijing to examine the progress of discipline inspection. The meeting demanded that discipline inspection commissions at all levels strengthen inspection and supervision and ensure that the reorganization and streamlining of the PLA is carried out smoothly.
Assessment	People with real abilities who work hard and have made achievements are left without prompt promotions because of the "unhealthy practices," while the sons and daughters of high-ranking officers are chosen for new positions merely by connections. Therefore,

CHINESE POLITICAL, ECONOMIC, AND MILITARY REFORMS

Continued

it is important for the discipline inspection commissions to establish a system to insure fair promotions for those who truly deserve them.

Sources

Ming Pao, 27 August 1985, p. 5. in
FBIS/China, 28 August 1985, pp. W1-2.

Item Date

85/08/27

Objectives

MILITARY

Subobjectives

training and weaponry

Indicators

Marshal Xu Xiangqian, 84, a founder of the Chinese Red Army, participated in the Long March (1934-35). He is now Vice Chairman of the Central Military Commission and one of only four surviving marshals of the People's Liberation Army (PLA). In a China Daily interview on the 40th anniversary of victory in the anti-Japanese war, he said that great efforts should be made to equip the Armed Forces with modern weapons and techniques. China's basic doctrine remains "people's war under modern conditions," improving its equipment mainly through self-reliance and importing only the most advanced equipment and technology to reach the goal of approaching the level of advanced countries in military equipment and technology within 15 years. The PLA also will improve training in combined warfare and NBC warfare. One of the purposes of the current demobilization of 1 million military personnel is to speed up modernization of national defense and lay a solid foundation for people's war. Xu also stressed that the militia will play an even more important role in future wars as a strong auxiliary and reserve force. Scattered throughout the country in both urban and rural areas, militia units have developed from a single infantry force into a strong, unified force containing various special and technical units such as anti-aircraft, artillery, antichemical and scout corps.

Assessment

Chinese military leaders indicated that "people's war" remains a "magic weapon" for future wars. China has made unremitting efforts to lay a solid national defense foundation both in manpower and materials to wage a "people's war" with improved equipment and technology as well as combined arms training. China demobilized 1 million military personnel in order to achieve its

CHINESE POLITICAL, ECONOMIC, AND MILITARY REFORMS

Continued

national goal of modernization, while simultaneously building up its local forces and militia. The total number of weapons in militia units is triple that of the whole PLA in the late 1940s. China is continuing to equip the militia with modern weaponry.

Sources Liu Dizhong. "People's War Still a 'Magic Weapon' Against Invaders." China Daily (Beijing), Vol. 5, No. 1285, 5 September 1985, p. 1.

Item Date 85/09/05

Objectives PARTY

Subobjectives leadership

Indicators On 22 September 1985, the Chinese Communist Party named 91 new members to its Central Committee--an important political victory for the Deng group. At the meeting, 64 elderly members of the Central Committee submitted their resignations and 56 officials were appointed to full membership. The new members appear to owe their position to the reformist group and its policies. The Central Committee now has 210 members and 133 alternate members. The average age of those promoted to the Central Committee is 50.1 and 76 percent of them have some college education. The previous membership of the Central Committee averaged over 60 years old. Twenty-two governors and provincial party secretaries, and 14 government ministers appointed during the past 6 months, make up the largest block of persons promoted to the Central Committee.

Assessment The newly appointed Central Committee members are younger and better educated and fewer have military backgrounds, pointing to a further depoliticizing of the military. More than 20 senior military officers resigned from full membership in the Central Committee, but only 11 new appointees hold military positions. Deng appears to be succeeding in depoliticizing China's military.

Sources Southerland, Daniel. "China Replaces 91 in Party Committee." Washington Post (Washington, DC), 23 September 1985, p. A17.

Item Date 85/09/23

Objectives PARTY

Subobjectives leadership

Indicators On 25 September 1985, the Chinese Communist Party appointed six new reform-minded members

CHINESE POLITICAL, ECONOMIC, AND MILITARY REFORMS

Continued

to the Politburo (none of them military) and five Deng Reformists to the 11-member Secretariat. These appointments reflect the increased influence of Deng Xiaoping and Hu Yaobang and make it more likely that the economic reforms will last. Of the newly-selected Politburo members the most prominent are Hu Qili, 56, and Li Peng, 57, considered likely to assume the positions of party general secretary and premier, respectively when General Secretary Hu Yaobang and Premier Zhao Ziyang step down. Hu Qili, an advocate of China's market-oriented reforms and open-door policy, has been serving as permanent secretary of the Secretariat. Vice Premier Li Peng is a Soviet-trained electrical engineer and energy expert. Three other new Politburo members have been closely associated with the Deng-Hu reforms: Vice Premier Tian Jijun, 56, a financial expert; Qiao Shi, 61, former head of the party's organization department; and Wu Xueqian, 64, Foreign Minister and Hu Yaobang's former associate in the Communist Youth League. The youngest official with a major promotion was Wang Zhaoguo, a 44-year-old automotive engineer and head of the party Central Committee's general office, who was named to the Secretariat. The fact that Deng and his associates filled only 6 of the 10 Politburo vacancies on the Standing Committee opened up by retirements and failed to replace Ye Jianying might reflect disagreement over several potential replacements who were not selected for the Politburo.

Assessment

Deng Xiaoping in recent years has aimed at moving the military out of politics and the latest changes show another major step in this direction. The previous 24-member Politburo included nine aging military men, six of these retired. The newly constituted 20-member Politburo has only three military members: Yang Shangkun, Vice Chairman of the Party Military Commission; Yang Dezhi, Armed Forces Chief of the General Staff, and Yu Qiuli, Director of the PLA General Political Department.

Sources

Southerland, Daniel. "Climaxing Key Shifts, China Names Six to Ruling Politburo." Washington Post (Washington, D.C.), 25 September 1985. pp. A25, A29.

CHINESE POLITICAL, ECONOMIC, AND MILITARY REFORMS

Item Date 85/09/25 Continued